SHAPING OUR FUTURE

B.C. FOREST POLICY REVIEW

MARCH, 2000

TABLE OF CONTENTS

LETTER OF TRANSMITTAL 5

EXECUTIVE SUMMARY 9

INTRODUCTION 13

PART 1 — On The Land: Creating Greater Certainty and Managing for Sustainability 21

PART 2 — The Forest Industry: Dynamic, Globally Competitive and Diverse 41

PART 3 — Communities and Workers: A New Relationship 59

PART 4 — Making It Work 71

Implementation Action Plan 73

APPENDIX A: The Public Consultation Process 81

APPENDIX B: Aboriginal Interim Measures Agreement 87

APPENDIX C: The Role and Structure of Forest Renewal BC 89

ANNEX: Enhanced Silviculture Program 90

LETTER OF TRANSMITTAL

March, 2000

The Honourable Jim Doyle
Minister of Forests
Parliament Buildings
Victoria, B.C.
V8V 1X4

Dear Mr. Minister:

It is my pleasure to submit to you my report respecting forest policy in British Columbia.

When your predecessor, The Honourable David Zirnhelt, instructed me to review provincial forest policy in July 1999, he stated: "Our goal is a renewed, diversified and internationally competitive forest sector. To get there, the province needs to look at innovative forest management that will allow us to attract new investment in our forests while promoting strong community participation, a greater emphasis on high-value made-in-B.C. products, and world-leading environmental standards."

My activities while conducting this policy review have been guided by the government's discussion paper *The Working Forest — Directions for the Future*. That document made several important points, including the following:

- Forests are part of our past, and will be part of our future — a legacy we value and a trust we hold.
- Forests are extraordinarily complex eco-systems. Our actions today shape the forests of tomorrow and will be evaluated by future generations.
- We expect our forests to be biologically, socially and economically sustainable and to enhance the quality of life for all British Columbians.
- The challenge confronting British Columbia is how government policies can ensure that the public derives the maximum economic, environmental and social benefits from our forests — now and in the future.
- The challenges of globalization — and of changing economic and environmental conditions — must be addressed and solved for us to protect our way of life.

- Structural issues, such as our system of forest tenure and management, must be carefully assessed to protect long-term public interests while respecting the rights of existing tenure holders.
- With a diversity of viewpoints, what common ground do we share? Precisely what, if any, is our common vision? Based on what principles?

The discussion paper asked a number of specific questions grouped around the issues of Land, the Forest Industry and Public Stewardship which, for brevity's sake, I will omit here.

I engaged in a consultation process that focussed on three broad themes: Land Use; The Forest Industry; and Communities and Workers. I held community-based workshops, public forums, received briefs and engaged in many face to face discussions with stakeholders. The consultation process is detailed in Appendix A.

The review process, which I was asked to undertake, contains both strengths and weaknesses. Because its format is informal, as opposed say, to a royal commission, I was able to engage in a dialogue with participants and facilitate the engagement of participants in dialogue with each other. The review process enables the generation of timely advice to government, based on those consultations, concerning the more pressing issues of public policy.

One weakness, however, resides in a process designed to elicit expeditious advice. The process allows insufficient time to undertake detailed research and analysis in a number of areas. For this reason, I have proposed an implementation plan that allows for further deliberation on specific topics.

Not only have I benefited from the advice of various stakeholder groups, I have also engaged in frequent dialogue with government ministries which offered much useful guidance. This iterative process — in which viewpoints were repeatedly scrutinized and challenged — was, I believe, a key element of the review. I have been encouraged, and have enjoyed considerable freedom, to conduct the inquiry as I thought necessary. I appreciate this independence.

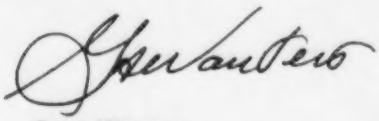
I have tried to make recommendations that, I believe, respond to the desire of British Columbians for a balanced approach. For too long, B.C. was engaged in a war in the woods between special interests that made change difficult. Today, British Columbians expect a more mature approach to the resolution of differences. What has emerged from the review process, while falling short of consensus on all issues, nevertheless indicates broad areas of public agreement. Success, however, will depend to a great degree on the willingness of everyone involved to work together for change.

The challenge of preparing this report, which has taken six months, was supported by the enthusiasm and eager co-operation of many people and organizations who gave me information, analysis, opinion, advice and courteous consideration. The issues at stake are

momentous and were treated seriously. All those who engaged in the exercise of consultation — even those who expressed skepticism concerning its outcome — did so with a profound sense of the importance of forest policy to their lives.

I wish to thank the following: My office staff, the consultants who assisted us, members of the civil service who advised me on various issues of public policy, and the participants who engaged in a most helpful dialogue.[1] Finally, I wish to thank the people of British Columbia whose elected representatives entrusted me with this important and interesting commission. In particular, I wish to acknowledge the keen support and encouragement I received from your predecessor in the forests portfolio, The Honourable David Zirnhelt.

Yours sincerely,



Garry Wouters
Jobs and Timber Accord Advocate

1. *Clearly this report is not the work of one person; for that reason the first person plural — the editorial "we" — will be employed in the rest of these pages.*

EXECUTIVE SUMMARY

In July 1999, the Minister of Forests instructed the Jobs and Timber Accord Advocate to review provincial forest policy.[1]

This is the Advocate's report. In it he examines many complex and interrelated issues concerning the way British Columbians wish to enjoy their rich forest heritage. The report addresses three major questions:

- How can we provide for greater certainty and manage for sustainability on the forest lands?
- How can we create a dynamic, globally competitive and diversified forest industry in British Columbia?
- How can we achieve benefits for communities and workers?

The Advocate engaged in an extensive consultation process in which more than 1,400 British Columbians participated. Their expressed ambitions, frustrations, advice and criticism infuse this report. (See Appendix A).

This report makes many specific recommendations, some of which are urgent in nature and can be implemented immediately. In some cases it recommends pilot programs to test the effectiveness of proposed initiatives. In other cases, it indicates where more study is required.

KEY ISSUES AND RECOMMENDATIONS

Our forests are key to our future. We need to ensure long-term environmental and economic sustainability. This means the protection of environmental and other non-commercial values, a dynamic, globally competitive and diverse forest industry and stable jobs and communities. A crucial requirement is the exercise of leadership by the provincial government, leadership that is sensitive to regional diversity. Here, in summary form, are some of the key issues and the resulting recommendations.

The Land — Key Issues

There must be more certainty on the land - how it will be used, who will have access to it and how it will be sustained. We need to clarify the use of forest lands including identification of areas for parks, conservation and a working forest.

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1 (The Letter of Transmittal on Page 5 summarizes the minister's instructions).

The Land — Recommendations

Land use plans should be completed within three years.

The government should designate areas for parks and working forests.

The government should ensure that First Nations have increased access to the forests through Interim Agreements.

New ways to implement the Forest Practices Code should be pilot tested within two years to ensure that high environmental standards are maintained and costs are reduced.

The government should establish an independent commission to review key factors affecting long-term harvest levels that will sustain the forest and the forest industry.

The Forest Industry — Key Issues

The forest industry will continue to be a major force in the economy of British Columbia, sustaining jobs and generating wealth. It will, however, become significantly different — more dynamic, globally competitive and diverse. A new market model would see the industry more innovative and responsive to consumer needs. For the industry to be truly successful we must utilize the resource better by ensuring that the right log goes to the right mill. The establishment of log markets, tenure reform and a transactional-based stumpage system would assist in developing a more dynamic and diversified industry.

The Forest Industry — Recommendations

The government should encourage a new market model to increase the value of our wood products.

The government should ensure sufficient wood for a new log market system. A Coastal log market should be established. Regional log markets should be developed in the Interior. Small businesses, which often cannot obtain fibre, would benefit from log markets. With the establishment of log markets the government should start to charge stumpage based on market transactions. Separate stumpage systems should be considered for the Coast and the Interior.

The government should establish Forest Stewardship Agreements to provide for greater diversity in the supply and management of timber. These agreements should provide for a shift from volume to area tenures based upon specific requirements for forest management and distribution of tenure to new entrants, i.e. communities.

The government should encourage area-based tenure holders to strengthen and/or establish strategic alliances with communities and First Nations.

To promote new science and technology (for better forest stewardship and leading-edge

products and processes), industry and government should establish a Forest Research and Development Fund. This should be financed by setting aside $25 million from existing stumpage fees paid to Forest Renewal BC. The government should also encourage company-specific market, product and process research and development by means of an increased tax credit.

To enhance the global competitiveness of the B.C. forest industry the government, in partnership with other stakeholders, should maximize new market opportunities. Working with the industry and the federal government, it should take stronger steps to end trade restrictions on Canadian lumber into the U.S.

The government should work to support the enhancement of small-scale forest operations by doubling the number of woodlots and providing increased support for value-added manufacturers.

Communities and Workers — Key Issues

Forest-dependent communities want to plan for diversification and to be more involved in how forests are managed. Some mills will close and new ones will open to produce different products. Communities want the forests to provide more and better jobs that are sustainable. If jobs change, they want appropriate adjustment strategies. Investment in a skilled workforce is an investment in our own future.

Communities and Workers — Recommendations

The government should establish from existing Forest Renewal BC funds an annually-renewable $30 million Community Diversification Fund, to be managed by communities.

The government should provide communities with increased access to forest tenures as part of enhanced opportunities for economic stability and diversification.

The government should find more ways of providing decision-making authority to communities so they can participate in forest activities and undertake economic diversification.

The government should encourage further co-operation between labour, industry and government to create a dynamic industry with a skilled workforce.

In the event of a mill closure, the government should work with communities, industry and workers to find new economic opportunities or adjustment strategies.

Making It Work — Key Issues

Too many agencies are involved in managing our forest resource. We need to streamline government, cut unnecessary costs and reduce regulatory confusion. We propose an action plan for implementation of this report's recommendations.

Making It Work — Recommendations

The government should establish an Implementation Commission responsible for ensuring this report's recommendations are carried out.

The government should re-organize itself to streamline its functions and reduce overlap and duplication. Among other measures, it should give the Land Use Coordination Office the power to finalize decisions required to complete and implement land use plans.

INTRODUCTION

Forests define British Columbia.

Long before European settlement, the forests of the Pacific Northwest furnished cedars from which aboriginal peoples built long houses and canoes and carved magnificent totem poles. They used cedar too for masks, rattles, ceremonial seats and giant feast dishes; they wove its bark into garments and blankets.

In 1778 Captain Cook cut timbers at Nootka Sound on Vancouver Island to replace damaged cross-spars on his vessel *Resolution* and brewed spruce beer to prevent scurvy. In time, British Columbia became a regular source of masts for ships of the Royal Navy. Lumber and fence pickets for Australia, loaded in 1864 on the sailing vessel *Ellen Lewis* at Moodyville in North Vancouver, comprized the first export cargo from the Port of Vancouver.

A century ago the forests of British Columbia appeared inexhaustible. Today, competing claims for the use of our forests pose a major public policy challenge. While past government policies, in particular land tenure arrangements, encouraged the growth of large integrated forest products companies that became powerful engines of economic growth, those policies were less concerned with other interests.

The province's abundant forests have bestowed a generous endowment. They have enriched our lives both economically and socially. Revenues from forestry have furnished roads, bridges, hospitals and universities, created hundreds of communities and generated the incomes to pay mortgages and dentist bills. In short, our forests have underwritten a standard of living envied internationally.

Provincial forest policy has been scrutinized by four royal commissions and by other inquiries of less formal status. The royal commissions comprised the Fulton Commission of 1910, two conducted by Chief Justice Gordon Sloan in 1945 and 1955, and the inquiry of University of British Columbia economics professor Dr. Peter Pearse in 1975. Another significant inquiry was that undertaken by A.L. (Sandy) Peel in 1991.

The present pattern of the British Columbia forest industry emerged from the 1945 Sloan Commission. Mr. Justice Sloan recommended the administrative mechanisms by which huge tracts of the province's forest land came to be managed on a sustained yield basis — as forests are logged they are replanted and managed in a manner permitting successive harvests in perpetuity. The concept is simple, the mechanics of implementation complex. Central to the policy of sustained yield was the establishment of two types of forest tenure: Public Sustained Yield Units (PSYUs), managed by the forest service, and Tree Farm Licences (TFLs), managed by industry.

It was not until the Pearse commission in the mid-1970s that values other than logging were keenly debated at a public inquiry into the administration of forest lands.

The value of our forests far transcends their commercial forestry importance. They are a major source of recreation for hikers, campers and skiers; a home to large animal populations including some that are endangered; the spawning grounds for numerous species of fish; a destination for tourists; solace for many seeking spiritual renewal and a source of oxygen in an increasingly polluted world.

Recognizing the changing values associated with British Columbia's forests, the government took a significant initiative in 1992 with the announcement of the Protected Areas Strategy (PAS), which committed B.C. to doubling the protected area of the province by the year 2000. The strategy prohibits resource extraction and other industrial activity in Protected Areas.

As the environmental movement gained momentum in the 1980s and 1990s Coastal logging operations became the focus of numerous confrontations with environmentalists seeking to prevent the harvesting of timber from old growth forests. The names Clayoquot Sound and the Carmanah Valley attracted world attention. British Columbians who sought to halt logging found support in the United States and Europe from a well-organized international environmental lobby which encouraged consumer boycotts of old growth timber from our province.

Responding to these growing concerns about the future of our forests, the provincial government implemented new land use planning processes. These processes were designed to balance economic, social and environmental concerns and provide a forum for public participation as a means of facilitating conflict resolution.

With the involvement of industry, in 1994 the province established Forest Renewal BC with a mandate to plan and implement a program of investments to renew the province's forests. It does this by enhancing the productive capacity and environmental values of forest lands, and by creating jobs, providing training for forest workers, and strengthening local communities dependent on the forest industry.

A new B.C. Forest Practices Code, which came into effect in June, 1995, carries the force of law and ensures that what happens in our forests is well-planned and takes all values into account. The code established environmental standards for forest management and penalties for failure to uphold those standards.

Numerous B.C. companies began to see product certification, attesting to the efficacy of their forest stewardship, as an essential marketing tool and shareholder attraction.

The dispute over logging and preservation in British Columbia is now shifting to a different struggle — over management and control of the forest resource itself. The players involved

have also shifted and include First Nations and non-native communities as well as a variety of others who want access to the province's forest resource. Land use planning has helped resolve competing interests over the land. Continued success will depend on good faith implementation.

Today, forests account for more than half of the province's total exports and support thousands of jobs. The forest industry, however, faces serious challenges. While it has emerged from a cyclical downturn of unusual severity, it still must confront numerous long-term structural challenges; consumers now dictate forest stewardship, a strong American lumber lobby limits our access to U.S. markets, Coastal fibre supplies dwindle, regulation and red tape impair efficiency and add costs.

Because the province's wood fibre is almost fully allocated, growth opportunities are limited for independent manufacturers, value-added producers and community forests.

A VISION FOR OUR FORESTS

Today, British Columbians have a vision for their forests based both on ecological and economic sustainability. There is widespread recognition that a healthy economy is linked to healthy eco-systems, and that policy must reflect this relationship.

Let's contemplate the future.

British Columbia's forest industry will be a world leader in applying state-of-the-art technology, knowledge and skills to growing and harvesting trees, and manufacturing a broad array of innovative products that serve expanding markets which seek superior values from a sustainable, ecological and renewable resource.

Twenty-five years from now the industrial and social landscape of British Columbia will have changed in ways barely comprehensible today. That change will be driven by population growth, by the rampant knowledge revolution and by world economic and social globalization spawned by instant communications.

British Columbia's population, currently close to four million, will probably reach six million by the year 2025 and could hit eight million by mid century. New cities will grow — and existing ones will expand — to house the additional millions.

A quarter century from now the forest industry will still be a leading generator of wealth, vital to the well being of B.C., a supporter of communities and bestower of significant economic and social benefits. New industries will prosper and grow. Among existing industries, tourism, for example, will have become a more influential industry exploiting the province's natural beauty and recreational potential as, say, Switzerland now does.

The forest industry will be more agile, flexible, diversified and smarter. Its excellence in research and development will enable it to stay on top of changing markets and stewardship practices and it will diversify and add value so consumers will pay more for its products.

Large globally integrated companies will be a significant component of the forest sector. But many companies active in the sector will be new entrants, small and medium-sized entrepreneurial ventures closely allied to their local communities. Some will be run by First Nations who, in the wake of land claims settlements, will have acquired management, in forms yet undetermined, over portions of British Columbia's forest land.

Indications of the direction in which the forest industry will evolve are already evident today. For example, the industry has developed wall systems that are the leading edge in providing better resistance to earthquakes and insect damage and have greater structural integrity. Construction joists are delivered to building sites as pre-built modular units. Complete floor units are also manufactured and shipped modularly. Where previously they had to specify steel beams, architects are able to select engineered wood beams of considerable length and elegance.

It is likely, given imaginative leadership, that the forest industry in the year 2025 will have expanded strategic alliances with other industrial sectors for which it will be manufacturing custom-designed components.

With computer-assisted design, British Columbia architects could soon create an array of different homes to suit the preferences of the individual purchaser. Software specialists could develop programs to allow flexibility in room size and design. The same software packages could help sales people in the field cost out the raw materials and source the manufacturing to the most competitive supply area.

New homes of modular design could be made in B.C. and shipped in containers to a developer's site anywhere in the world — already decorated and complete with lighting fixtures, pre-installed cables for TV and the Internet and with kitchen cabinets produced in B.C. The volume of units involved would provide economies of scale for B.C. producers and the cash flow required to invest in advanced manufacturing technologies. To succeed in such markets the industry has to be aggressive, technologically smart and alive to the latest customer needs. The rewards could be high.

The province will also have developed lines of manufactured goods and paper products that are of unmistakably British Columbian design.

Some of the implications of this vision are clear.

The industry will have to be more responsive to the marketplace. A new market model will include new arrangements for log markets, stumpage and better access to international

customers. In its unending drive for leading-edge products it will need to recruit technically savvy employees. It will have to undertake major research and development programs. The skilled jobs created by such activity will cascade throughout the economy — into design firms, the transportation industry, into architecture and so on.

British Columbia, with its rich abundance of productive forests, its well developed transportation infrastructure, its highly regarded educational system and its pool of high technology and knowledge workers, enjoys the competitive potential to turn such a vision into reality.

Technical diversity will enable the industry to make more productive use of its fibre. Increased employment will follow the industry's market successes.

Competing pressures for use of our forests will be relentless with a growing population. British Columbians, along with environmental groups elsewhere in Canada and abroad, will be vigilant in demanding superior standards of stewardship. A growing population will also want land for homes, for other industry and for their recreation needs. In parts of British Columbia, especially on the Coast, there will be greater pressure on the forest land base. The industry will respond by avoiding areas of high environmental sensitivity and, in other areas, by growing more trees of higher quality. In this it will exploit promising advances in genetic engineering.

As the industry changes, communities will adapt. With industrial diversification some mills will close and new types of operations will evolve, creating different employment opportunities. Pressure from an increasing population for more recreational opportunities will fertilize the tourist industry.

Many communities will want more control over their own destinies. They will seek greater involvement in the management of the forest resource. The government will retain its responsibility for ensuring strong stewardship of the forests but will also become more flexible and collaborative in its relations with industries and communities.

We cannot predict the future, even by extrapolating from what we know today, but we can say emphatically that it will be different. Much of what happens may fall outside our control. But with a long-term vision and a set of common principles to guide us, we will be best prepared to shape the future.

Common Principles

- Manage our forests through public ownership for the benefit of all British Columbians.
- Continue to preserve our forest heritage, ensuring parks and conservation areas help maintain British Columbia's bio-diversity.
- Create certainty over the use of forest lands.
- Obtain the best value for every tree we cut and plant.
- Work to ensure that the forest industry continues to bestow benefits and remains a vital part of the province's economic and social well being.
- Work to ensure that other commercial users of the forest lands continue to provide benefits to the province.
- Foster a highly skilled workforce qualified for jobs in a dynamic forest industry.
- Work to ensure that workers and communities benefit from the forests.
- Respect aboriginal interests on forest lands.
- Promote a spirit of co-operation among all British Columbians to ensure environmentally, socially and economically sustainable forests.

Since this vision articulates a series of ideas of what could — perhaps ought — to happen in our forests 25 years hence, it goes further than the recommendations outlined later in this report. It speaks to a time beyond the horizon of most current public policy makers, senior industry leaders and environmentalists.

Making It Work

We have called Part 4 of this report *Making It Work*. The vision outlined here will not be fulfilled quickly. It will occur slowly, incrementally and there will be missteps along the way.

Successful change requires careful planning. It is often remarked with respect to public policy that "the devil is in the detail." Where possible, ideas should be evaluated and incorporated into public policy only if they survive rigorous pilot testing or similar scrutiny. A well conceived action plan is essential to the implementation of public policy.

Dr. Pearse, who conducted the 1975-76 Royal Commission into Timber Rights and Forest Policy in British Columbia, observed: "Those who are familiar with the complicated relationships in forest policy will appreciate the difficulty of organizing the issues in the [royal commission] report in an orderly sequence. Their ramifications are so entwined that they fall into no neat order, and so I must call on the reader's indulgence in following the structure I have chosen."

The problems that confronted Dr. Pearse remain with us today. The ramifications of forest policy are indeed complex; initiatives engaged in to resolve specific problems or to address the concerns of particular stakeholder groups may impact myriad other issues. We also solicit the reader's indulgence.

We have chosen a structure for this report that we hope is logically congenial. Following this introduction we discuss three broad issues, namely: Land, Industry, and Communities and Workers. For each area we analyze the issues and present our recommendations and suggestions on how we can move towards implementation. The final part *Making It Work* deals with the organization of government and provides an action plan for implementation of this report.

A number of our recommendations have potentially important implications for First Nations, particularly those who are, or may become, actively involved in commercial forestry. In conducting this review, we have attempted to recognize the interests of First Nations from the outset. One of our guiding principles listed in the discussion paper *The Working Forest: Directions for the Future* states the government's view of the relation between this process and aboriginal issues.

> *"Our forest policies will respect aboriginal rights and encourage an increased role for aboriginal peoples in the working forests."*

British Columbians seek a balanced approach to forest policy. They voiced support for goals they believe to be achievable. Public policy should strive for equilibrium between strong environmental standards and the growth of a viable industry that will support jobs and communities over the long term. British Columbians, wearied by years of confrontation, have asked that we engage in a co-operative model of managed change. Our recommendations and the accompanying implementation plan are framed against the knowledge that all parties are today working towards a mature resolution of differences.

We have proposed a management framework by which government may monitor and evaluate the effective implementation of the report's recommendations.

ON THE LAND 1

CREATING GREATER CERTAINTY

AND MANAGING FOR SUSTAINABILITY

British Columbia's forests meet our needs for timber, wildlife habitat, recreation, range lands, clean air and water — and other values. How they are managed is of vital interest to us all.

For many years, prior to World War II, there was little concern about scarcity. Our forests seemed inexhaustible. In the 1950s and 1960s, however, there grew awareness that increasing exploitation was unacceptable. Long term economic benefits could only be achieved by making investments that obtained the most value from our forests.

The Sloan Report of 1945 recommended administrative changes to further encourage sustained yield and to promote forest management. As a result, many new policies and regulations were developed. They focussed on conservation and sustainability.

Since the early 1970s, non-timber values, including tourism, recreation and conservation, have assumed greater importance in management planning. The Pearse Report emphasized the need to reconcile timber production with the growing demand for environmental protection and social values.

Land use certainty, however, became increasingly tenuous during the 1980s as the province's First Nations asserted their long-standing land claims with increased vigour. They took direct action to assert aboriginal title and, in some cases, to halt resource development projects in their traditional territories.

In response to these pressures, in the early 1990s the provincial government introduced numerous initiatives:

- A Protected Areas Strategy committed B.C. to double the protected area of the province by the year 2000.
- Land use planning processes were introduced to more clearly delineate forestland use. They were to recognize both local resource values and provincial objectives. As a general principle, reduced harvest levels in Special Management Zones (where non-timber values have priority), should be balanced by increased harvesting opportunities in Enhanced Management Zones (where timber harvesting takes precedence).
- The Forest Practices Code was enacted to ensure that domestic and international expectations for environmental protection would be met. The impact of these improvements on short-term harvest levels[2] was not to exceed 6% of the provincial Allowable Annual Cut (AAC).
- Forest Renewal BC was created to mitigate some forest sector transitions. These activities, and more recent initiatives to promote enhanced silviculture and watershed restoration, were intended to contribute to long-term forest sustainability.

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2 For the purpose of timber supply impacts of the Forest Practices Code, "short-term" has been defined as the first decade.

- The provincial government entered into an agreement with First Nations and the federal government to work toward the resolution of land claims issues through treaty negotiations.

LAND USE PLANNING

The new planning process initiated by the province in the early 1990s involved stakeholders and the public directly in the development of regional land use plans. Based on extensive information gathering and public consultations, the plans were developed using a consensus decision-making approach.

Beginning in 1992, regional plans were developed for Vancouver Island, Cariboo-Chilcotin, and Kootenay Boundary through the Commission on Resource and Environment (CORE). In other areas of the province, Land and Resource Management Planning (LRMP) processes have been used to develop sub-regional plans.

Land use plans have been undertaken in 80% of the province. Three regional plans and 11 LRMPs, representing approximately 56% of the province, have been completed and approved by Cabinet.

The purposes of the land use planning process are to:

- Provide direction for land use including broad resource management objectives and strategies
- Establish an appropriate balance between the various land uses that reflects local values.
- Provide direction for more detailed resource planning.

The current planning framework

To develop Land and Resource Management Plans, local planning tables were established. Numbering 30 or more people, these planning tables represent a broad range of community interests.

Planning tables advise government. Their main responsibilities are to:

- define protected areas.
- develop an integrated resource management plan which identifies a range of resource management zones.
- ensure that the plan balances environmental, economic and social objectives
- undertake an assessment of the impacts of implementation.

One of the primary tasks for the planning tables is to identify areas for specific purposes.

Although the names for these areas vary somewhat from plan to plan, the types of uses identified fall within the following definitions:

- Protected Areas — land protected for its natural, cultural heritage and/or recreation values.
- Special Management Areas — managed for the conservation of one or more resource values such as habitat, recreation, scenery and community watersheds while still enabling resource development activities.
- General Resource Management Areas — managed with specific strategies to integrate a wide array of resource values.
- Enhanced Resource Management Areas — managed for the development of resources such as timber and minerals while minimizing impacts on other resource values.
- Settlement/Agriculture Zones — managed Crown lands consistent with the historic pattern of agriculture and settlement.

Another task for the planning tables is to develop a plan that meets provincial objectives and achieves an overall balance in land use. When completed, plans are reviewed by the government and Higher Level Plans (HLPs) are developed to ensure that the forestry components of land use plans are recognized and implemented.[3]

Higher Level Plans provide the objectives for the more detailed plans at the local level. Local plans are developed at the landscape unit level and the watershed level.

The following chart describes the relationship between the various components of the land use planning process.

Land Use Planning Framework	*Relationship to the Forest Practices Code*
Provincial Goals	Resource management zone objectives — developed through regional and sub-regional planning processes — specific to forest management practices can be declared Higher Level Plans under the *Forest Practices Code of B.C. Act.*
Regional/Sub-regional Plans (e.g. CORE, LRMP)	
Local Plans (e.g. landscape unit plans, integrated water-shed management plans)	Some higher level plans under the Code (e.g. landscape unit objectives) can be described as having a local scale.
Operational Plans	The Code contains specific operational planning requirements

During our review we have heard consistently from a range of interests — economic, environmental and community — that increased land use clarity should be a fundamental policy goal. We also heard there should be greater differentiation of practices to increase the net benefits from our forests through a system of zoning. Some areas should focus more clearly on enhanced forest management while others should focus more clearly on conservation.

The concept of zonation is critical. Zoning does not mean long-standing concepts such as multiple or integrated use should be abandoned. Rather, it means an evolution to a more sophisticated view of integrated use, where the priorities for use within forest landscapes are more clearly identified to reflect both the distribution of resource values and the overall benefits we wish to obtain.

We should not think in terms of a wall existing between enhanced areas and special areas. Wildlife, water, and basic eco-system functions do not contain themselves within the arbitrary boundaries drawn around land use zones. The whole landscape is an inter-connected eco-system, and landscape management principles must be applied across zones.

Enhanced and special management zones are expected to have a number of specific and positive benefits. Firstly, in the short to medium term, the flexibility available within the Forest Practices Code could be applied to harvesting practices in enhanced areas as a way of providing additional harvesting opportunities. Most notably, shorter green-up periods or larger cut blocks could be applied on the enhanced land base, thereby increasing timber availability. Also, areas of old growth conservation might be reduced in enhanced areas in favour of meeting overall old growth conservation targets elsewhere in the broader landscape.

Secondly, decreased timber availability in special management zones which focus on non-timber values will offset increasing harvesting opportunities in enhanced areas. The extent to which such balancing benefits might be available depends on the area's overall forest and environmental conditions (i.e., age class and spatial distribution of available harvest areas), and needs such as water quality. This approach should provide a greater differentiation of land use and forest practices in an orderly way that is sensitive to on-site realities. It should also provide greater certainty on the land.

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3 The role of higher level plans is not well understood. A useful analogy can be drawn from the municipal planning system. Land use plans can be likened to an "official community plan." Both land use plans and official community plans are developed by public processes, and both address a number of interrelated issues and program initiatives. Higher level plans, by contrast, can best be equated with zoning bylaws. Both higher level plans and zoning bylaws are technical instruments used to legally implement certain specific elements of the land use or community plan.

Following completion of land use planning, it is important to have a monitoring process to follow up on plan implementation.

Some land use plans have established implementation committees of stakeholders that are engaged in plan evolution and development. Local or regional resource boards have been established for the Cariboo-Chilcotin Land Use Plan and the Vancouver Island Land Use Plan. In other areas, planning tables are maintained as follow-up committees.

LRMP policy provides for an annual implementation review and a major re-examination of an approved plan beginning in the 8th year after approval. The review is to be completed on the plan's 10th anniversary. Keeping plans alive through frequent review is intended to avoid another lengthy planning process.

Other Interests

Crown land uses (e.g. commercial, industrial, settlement) not associated with forestry, mining or energy development, are authorized under the Land Act. The Minister of Environment, Lands and Parks has delegated the delivery of Crown land programs by regional offices to the B.C. Assets and Land Corporation (BCAL). BCAL administers about 30,000 tenures for a wide range of uses. These include shellfish aquaculture, recreational cottages, communication sites, power transmission lines, commercial recreation activities (e.g. heli-skiing, nature viewing) and major alpine ski developments.

Analysis of the Land Use Planning Process

The innovative land use planning process, introduced in the 1990s, involved communities directly in determining the best use of the land. Government officials indicate that most of the completed plans have achieved significant community support.

Although stakeholders generally support the existing planning process, we heard of numerous concerns. These include unclear planning goals, some excessive preoccupation with process, and delays in plan completion. Even when local plans are completed, planning participants worry about the government's inability to follow through with implementation. As a result, they question the province's commitment to the land use planning process.

For an adequate assessment of whether the current land use planning process can provide the results the public desires, we need to answer the following questions.

(1) Are the objectives and the planning framework clearly defined?

(2) Is there a timetable for completion and implementation of land use plans?

(3) Have other interests been accommodated?

(1) Objectives and Planning Framework

In our public forums and follow-up discussions a number of concerns and suggestions were advanced.

Firstly, there were requests that the provincial government more clearly articulate its objectives for land use planning. While there was clarity on the province's environmental objectives (specifically expressed in the goals of the Protected Areas Strategy), the government's economic and social objectives were not expressed clearly. Many people worried that without clear economic objectives the role of the forest industry in supporting communities and jobs was seen as less important than the environmental objectives.

Secondly, participants indicated that there was not a clear set of directions on how best to balance competing environmental, economic and social objectives. Specifically, planning tables need more advice on how to make the Special and Enhanced Management Zones work to achieve balance.

At some tables good information was lacking. Managing to maintain complex ecological systems requires good decisions based on sound ecological information, resource inventory and analysis. Also, developing sub-regional plans without a full appreciation of the overall regional context complicated decision making.

Clearly, people have different values and interests. For some the concept of trade-offs seems to compromise strongly held principles, yet unless local stakeholders work co-operatively consensus will remain elusive.

Finally, it was difficult to achieve agreement due to the differences of perspectives and mandates between government ministries.

In summary, where there was failure to obtain agreement on some land use plans, no single cause was responsible. The government in the initial launch of the land use planning exercise, did not provide clear directions regarding objectives. Nor did it provide the guidelines and information required to achieve a balance between the zones. As well, the plans deal with complex values and interests not always amenable to consensus.

The government now needs to move the plans forward and make them work. This requires leadership. Specifically, the province must articulate clear objectives for land use planning. It must also address how to balance special and enhanced zones.

(2) Plan completion and implementation

Clear timelines for developing regional and sub-regional plans have not been followed. While acknowledging the inherent difficulty in achieving agreement on sensitive issues, the time and resources spent on most plans is unacceptable.

The government should ensure timely completion of LRMPs. Many are incomplete after several years, causing widespread concern. Where agreements have not been reached, the government (acting within the spirit and intent of provincial and local objectives) should analyze the plans' impact and move to complete the plans.

In those instances where LRMPs have, in fact, been completed, the government should move quickly to complete higher level plans.

Timely implementation of land use plans is necessary for greater clarity and certainty.

(3) Other Interests

Concern has been expressed that the needs of non-timber users are not being fully addressed in the land use planning process. Specifically, the tourism industry stressed the need to give appropriate weight to tourism values and interests.

A second concern relates to the administration of forest policy. Unnecessary regulation was cited as a serious problem, particularly for smaller operations. The situation is compounded by the independent regulatory framework of different ministries.

FOREST MANAGEMENT

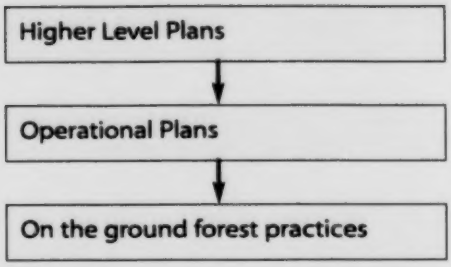
The second component of the government's initiatives to provide for greater certainty and sustainability was the introduction of the Forest Practices Code and the requirement that Forest Renewal BC make major reforestation and watershed restoration investments. In this section, we also address a third issue raised in the public consultations: forest management and the allowable annual cut.

Forest Practices Code

Enactment in 1994 of the Forest Practices Code brought existing laws and regulations into a single framework.

The Code is a key component of the province's land use strategy. Resource planning is separated into strategic and operational planning. Generally, before forest tenure holders — or the Ministry of Forests in the case of the Small Business Forest Enterprise Program — can engage in forest practices, they are required to complete operational plans.

The forest practices authorized in an operational plan must comply with objectives provided in any Higher Level Plan for that area.



Recently, Code legislation was changed to allow for pilot projects. Licensees can propose innovative approaches to facilitate intensive forestry or eco-forestry providing they can demonstrate public support and that they meet, or exceed, current Code standards. Other approaches which apply Code rules, while examining best management or alternative practices, include Innovative Forest Practices Agreements, Enhanced Forest Management Pilot Projects and Community Forest Pilots.

Each proposal, whether it articulates an eco-forestry approach, a streamlining of planning requirements or greater professional accountability, relies on some form of management plan to demonstrate how Code standards and public objectives will be achieved.

Reforestation and Environmental Restoration

Forest Renewal BC, created in 1994, is mandated to plan and implement an investment program to renew the province's forest economy. It does this by enhancing the productive capacity and environmental values of forest lands, and by creating jobs, providing training to forest workers, and strengthening local forest-dependent communities.

Under the terms of forest tenures, major licensees are responsible for basic silviculture and reforestation. The Ministry of Forests carries out these responsibilities on lands administered by the Small Business Forest Enterprise Program. Since 1995 Forest Renewal BC has been responsible for funding the reforestation of Crown lands logged prior to 1987.

Since 1995 Forest Renewal BC has provided funding for enhanced silviculture, watershed restoration, and a variety of programs to increase the productivity and value of second-growth forests and increase the forest growing area. Many of these programs are now delivered through multi-year agreements with forest companies.

Forest Management and the Allowable Annual Cut

We have heard about the importance of harvest levels to all sectors. Perspectives diverge about what constitutes the correctly sized annual provincial harvest which reflects complex environmental, economic and social factors. Some stakeholders do not believe adequate consideration is given to long-term ecological sustainability. Other stakeholders stress economic and community stability.

Land use planning provides one forum for discussing best management practices and land use issues; the objectives developed at planning tables directly affect harvest levels. Harvest levels are an outcome of our vision for land use and forest management. In setting allowable annual cuts, the chief forester considers approved land use plans, government's expressed objectives and current management practices.

FOREST MANAGEMENT ISSUES

Stakeholders emphasized the need to protect B.C.'s natural environment and there was general support for the basic values reflected in the goals of the Forest Practices Code. The public also continues to support public ownership of the resource with the province retaining stewardship responsibility.

The key question is: Can we improve our overall forest management practices to ensure strong stewardship over our land base?

Forest Practices Code

The Forest Practices Code legislation was enacted to ensure that forest practices meet domestic and international expectations for environmental protection. In this regard, the Code has been essential in establishing a baseline standard for forest practices. There is broad agreement that these standards must be maintained.

Some people perceive the current Code model to be too prescriptive and too process oriented. Others argue it is primarily about planning and provides few meaningful standards for protecting environmental values. They say it is focussed on timber harvesting rather than managing for all forest values.

With the introduction of recent legislation it is possible to test new approaches to enhance the Code's efficiency and effectiveness. Efficiency can be provided through testing performance-like measures. Effectiveness can be achieved by testing new approaches for ecosystem management that will better link forest management practices with the issue of product certification.

There has been a call to complete Code implementation. Industry is concerned that, if this is done, harvest levels could be reduced more than 6%. However, government officials assert that the Code can be implemented within the 6% guideline.

Reforestation and Environmental Restoration

There is both support and concern for the overall management of the silviculture and watershed restoration programs funded by FRBC. The following specific issues have been identified:

- Without completed land use plans it is difficult to achieve the highest value for silviculture and environmental restoration activities.

- Silviculture contractors are concerned about added costs and restrictions imposed by New Forest Opportunities Ltd. However, workers have appreciated the employee benefits and First Nations have enjoyed new opportunities.
- There are divergent opinions about the overall effectiveness of silviculture activities. There are also concerns that silviculture program priorities are not based on good science but often on other factors, including social objectives.

Forest Management and the Allowable Annual Cut

Much debate occurred about the appropriate AAC level and the key factors affecting long-term forest sustainability. The Council of Forest Industries believes an annual cut of 100 million cubic metres is an achievable long-term goal. The current harvest is 70 million cubic metres annually and environmental groups urged that the cut should be substantially reduced.

We had neither time nor resources to investigate this complex question. We believe a further review is necessary.

ABORIGINAL LAND CLAIMS

An overriding concern of stakeholders is that certainty of land use decisions cannot be achieved without resolving First Nations' land claims issues. The land claims strategy endorsed by federal and provincial governments and representatives of First Nations was outlined in a set of recommendations of the British Columbia Claims Task Force.[4]

These recommendations called for:

- A new relationship between the parties based on mutual trust, respect, and understandings...through political negotiations.
- Establishment of a B.C. Treaty Commission to facilitate the process of negotiations.
- A six-stage process to be followed in treaty negotiations.
- Negotiation of Interim Measures Agreements.

ABORIGINAL LAND CLAIMS STRATEGY

In analysing the Aboriginal Land Claims Strategy we should address three questions:

1. How satisfactory has the land use planning process been regarding First Nation interests?

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4 The British Columbia Claims Task Force was created on December 3, 1990 by agreement between First Nations in British Columbia, and the federal and provincial governments. Its purpose was to recommend how the three parties could begin negotiations and what the negotiations should include.

2. Have Interim Measures been implemented so as to resolve First Nations interests and advance treaty-making?

3. Is the treaty-making process moving quickly enough to ensure greater certainty?

(1) Land Use Planning

The land use planning process has had mixed success in resolving First Nations' concerns.

Many First Nations did not participate at planning tables because of their concern that tables represented a multi-stakeholder process and decisions made there could jeopardize land use issues under negotiation in treaty-making.

There is concern by both natives and non-natives on how treaties will affect land use table decisions.

New approaches are needed to allow First Nations to express their interests to government prior to, and after, LRMPs are completed. It would be most helpful if First Nations would participate, without prejudice to their treaty-making, at the local planning tables. This would provide for full and open discussions between First Nations and the local communities on each other's interests. Whatever mechanisms are employed, it is important that First Nations and the government work to develop an understanding with respect to environmental, economic and social goals, particularly on lands that some day will come under First Nations' authority.

(2) Interim Measures

The success of implementing Interim Measures has been sporadic. After endorsing the B.C. Claims Task Force, the provincial government launched a series of joint stewardship agreements between First Nations. Some of these agreements did resolve conflicts, but in the last few years, new conflicts have arisen and remain unresolved.

During this period, industry entered into agreements with First Nations to resolve difficulties but failed to achieve certainty on the land because provincial participation was missing.

One of the major reasons for slow progress in implementing Interim Measures is the weak linkage between Interim Measures and the treaty-making activity. If Interim Measures were designed to provide First Nations with the opportunity to access lands and resources early in negotiations (as an initial contribution against the final treaty), treaty-making would proceed much more quickly.

Recently, the federal government and the province negotiated a cost sharing agreement on Treaty Related Measures. This agreement provides a First Nation that is advanced in its treaty negotiations with the opportunity to receive land and resource benefits prior to treaty finalization. However, most First Nations have not reached an advanced stage in their negotiations and will not do so soon. Implementation of Interim Measures at an earlier stage of negotiations would be beneficial to all parties. It will be important, in designing the Interim

Measures Framework, to provide incentives to encourage final treaty resolution.

Another problem that has emerged is the interpretation of the principles and tests defined in the *Delgamuukw* court decision. A number of First Nations interpret the court decision differently from the province. This has resulted in specific actions by First Nations in the woods — actions the province has challenged in court.

The present approach is not acceptable to any party. First Nations are frustrated that resources from the lands are being utilized and they do not benefit. Industry is concerned that resulting uncertainty inhibits investment. Court actions and protests limit the government's ability to resolve issues.

The time is ripe for a solution. All parties have expressed an interest in finding an approach that will bring Interim Measures into fruition in order to provide for economic opportunities, greater certainty on the land and to expedite treaty-making.

(3) Treaty-Making in B.C.

Presently fifty-one First Nations groups are involved, at various stages, in the treaty negotiation process. Of these groups only the Nisga'a Tribal Council has completed the process. The Sechelt First Nation's Agreement in Principle (AIP) has been approved by cabinet. A significant number of First Nations are now negotiating AIPs.

One must conclude, nine years since the endorsement of B.C. Claims Task Force recommendations, that the process has been lethargic. It has been too slow for the following reasons:

- The requirement to complete the entire package as a comprehensive agreement including, land, resources, cash and self-government, is onerous and time-consuming. In other jurisdictions, separating these components has speeded the resolution of land and resource questions.
- The requirement that all self-government components of the agreement be fully defined may be too cumbersome a mechanism for fast-tracking treaty-making. These issues could be phased in over time through a legislative framework.
- The requirement that each treaty table develop the framework to resolve all issues independently creates duplication of time, resources and energy.
- The negotiation process limits creativity in problem solving. Negotiators have limited mandates. This requires them to seek new mandates from their authority, consuming more time and frustrating participants.

Another factor inhibiting treaty resolution is that a number of First Nations have rejected the approach to treaty-making in B.C. and are not at any table.

This review does not have a comprehensive mandate to address First Nations land issues. But

it is important to note public concerns and provide some suggestions for resolution of problems that clearly affect the certainty on the land for industry, communities and workers.

SUMMARY

The overall provincial strategy to resolve land use conflict has been a bold initiative, achieving reasonable success. However, more work is needed to achieve both certainty and sustainability on the land.

Specifically, the government should provide more support for completing land use plans, effective forest management practices and resolving the aboriginal land question.

RECOMMENDATIONS

LAND USE PLANNING

RECOMMENDATION 1: The government should renew its commitment to the land use planning process by clarifying its land use objectives and planning framework.

Provincial Objectives

The government should develop its objectives based on the following three pillars of sustainability.

For the environment. The government supports the achievement of long-term sustainability of the environment including the protection, conservation and restoration of a full range of biological and physical diversity native to British Columbia, and ensure clean, healthy and safe land, water and air for all living things.

For the economy. The government supports the growth of a strong forest economy, including the development of a dynamic, globally competitive and diverse forest industry. It will assure the province's ongoing economic viability through the promotion of economic opportunities for both timber and non-timber uses of our forest. It will also support the establishment of a working forest.

For communities and workers. Government will ensure that workers and communities benefit from the forests through creation of jobs and wealth, clean water, and enjoyment of multiple forest values.

The Planning Framework

Provincial land use planning should continue to be guided by the following policies:

- The commitment to double the protected area of the provincial land base by the year 2000.

- Reduced harvesting in Special Management Zones (which give priority to non-timber values) will be balanced by increased harvest opportunities in Enhanced Management Zones (where timber harvesting takes precedence).
- The Forest Practices Code implementation will not impact the short-term harvest levels by more than 6% of the provincial AAC.

While these policies are provincial guidelines, it is recognized that local biophysical conditions will necessitate regional-specific variations. For instance, it is understood that the percentage of protected areas will be higher in some regions and lower in others. Similarly, the level of Forest Practices Code impact will differ by region. These guidelines should vary, as needed, to reflect local environmental, economic and social priorities where these have been addressed through a land use planning process and government has approved the results.

To achieve the balance agreed to in the land use plan, it is recognized that reductions in the Special Management Zones will be offset by increased harvesting levels in the Enhanced Zones. Where harvest levels have been increased in Enhanced Management Zones, these increases will be taken into account when the balance between the zones is defined.

The following recommendations are made:

(i) For new plans and those in early stages of development:

- Formally establish planning processes, timelines, content and format of plans and provide for First Nations participation.
- Provide provincial environmental, economic and social objectives.
- Provide local planning tables with guidelines for developing their plans.
- Provide for enhanced clarity of plan outputs by encouraging the development of quantitative land use objectives, whenever possible.

(ii) For completed LRMPs:

- If there is agreement at the local planning table on the balance achieved in the plan and sufficient detail has been provided, proceed with the development of the HLP.
- If there is not agreement, or if insufficient detail is provided, government should assess impacts and identify strategies to balance local, provincial and regional objectives, thus completing the plan for subsequent cabinet approval.

(iii) For Higher Level Plans

- Ensure consistency with the overall environmental, economic and social objectives for the area taking into consideration (a) the objectives identified in the LRMP and (b) regional and provincial objectives.

- Simplify the HLP process to make it more efficient. The Land Use Co-ordination Office should be clearly mandated to ensure that HLPs are brought forward for ministerial approval in a timely manner.
- Assess the impact and develop mitigation plans against severe negative, environmental, economic and social impacts and provide information to ministers.
- Monitor and evaluate annually the impact of implementing these plans.

RECOMMENDATION 2: The government commit to a timetable for completion of land use plans in order to finalize and make certain the areas for parks, conservation, a working forest and other purposes.

LRMPs

The government should endorse the following timetable for completing the Land and Resources Management Plans (LRMP).

Date/Timeline	Plans to be Completed	Plans to be Initiated
2000	Okanagan-Shuswap Kalum South Cassiar Iskut-Stikine Mackenzie Lillooet LRMP	Sea to Sky (Squamish) Morice Merritt North Coast North Cassiar
2001	Central Coast 5 Cariboo sub-regional plans	Chilliwack Sunshine Coast Nass
2002/2003	Queen Charlotte Islands Sea to Sky Merritt Chilliwack Sunshine Coast Morice North Coast North Cassiar Nass	

HLPs

The government should endorse the following timetable for completing Higher Level Plans (HLP).

Year	Plans to be designated HLPs
2000	Vancouver Island Kootenay-Boundary Spotted Owl Management Plan Lakes Bulkley Kispiox (for deferred areas) Prince George Robson Valley
2001	Fort Nelson Fort St. John Dawson Creek Fort St. James Clayoquot Okanagan-Shuswap Kalum South Cassiar Iskut-Stikine Mackenzie Central Coast Lillooet
2002 — 2003	Queen Charlotte Islands Sea to Sky Merritt Chilliwack Sunshine Coast Morice North Coast North Cassiar Nass

Resources

The government should provide adequate resources to develop LRMPs and HLPs and to ensure they can be effectively implemented.

RECOMMENDATION 3: The government should ensure the implementation of landscape unit planning.

Government should explore innovative ways to achieve more comprehensive landscape unit planning to assure better integration of all major uses on the land, more effectively implement

land use plans and higher level plan objectives and, ultimately, provide a basis for good forest stewardship.

RECOMMENDATION 4: The government should complete the designation of parks and, within the context of implementation of Higher Level Plans, provide statutory protection for a working forest and other values.

RECOMMENDATION 5: The government should clarify how other commercial and non-commercial interests (not addressed in the Code), can be better accommodated and how the mandates of separate ministries can be harmonized.

FOREST MANAGEMENT

RECOMMENDATION 6: The government should test and develop new approaches to ensure effective implementation of the Forest Practices Code.

Recent legislative changes allow for the pilot testing of innovative FPC implementation. Pilot projects could be employed in a variety of ways. They could:

- Seek to reduce overall administrative costs.
- Examine ways to move from a process-based to a performance-based Code that would provide for tenure holder and professional accountability.
- Identify monitoring, auditing and enforcement responsibilities (assuming a performance-based Code is adopted).
- Explore the relationship between provincial forest management regulation and the requirements of international product certification bodies.
- Facilitate new co-operative approaches between licensees and non-tenure holders in developing new projects, e.g. community driven ecosystem-based plans.

RECOMMENDATION 7: The government should establish a review committee to evaluate Forest Practices Code pilot projects and make recommendations to government.

The committee should monitor the pilot projects to ensure that they are assessed within two years. Successful features of the pilot projects should be considered for province-wide application.

RECOMMENDATION 8: The government, through Forest Renewal BC, should continue its commitment to enhance the ecological and environmental values of our forest by:

- Providing an annual $50 million fund for environmental restoration to be available for tenure and non-tenure holders.

- Providing an annual $100 million fund for silviculture activities that increase forest value, taking into consideration the objectives of the Higher Level Plans. (See Appendix C).

RECOMMENDATION 9: The government should establish an independent commission to review the assumptions and methodology used in the timber supply review process.

The review should consider the following:

- growth and yield assumptions
- inventory data
- information on environmental values, including bio-diversity
- the impact of the Forest Practices Code
- the impacts to bio-diversity from harvest rates
- the impact of eco-system-based forest practices
- the short- and long-term social and economic impacts on communities and workers taking into consideration all the various uses of the forest

ABORIGINAL LAND CLAIMS

RECOMMENDATION 10: The government should facilitate discussions between government, industry and First Nations to develop new opportunities for First Nations and provide more certainty on the land base.

(a) Provide a stronger linkage between the land use planning process and treaty-making.

- In circumstances where LRMPs have not been initiated, or are in the initial development stages, First Nations should outline their interest on the land and the province should consider these interests within provincial objectives. These provincial objectives should be given to the LRMP table to address along with the local planning tables' interests. When the LRMPs are completed, the First Nations and government should review LRMPs to assess outcomes.
- In circumstances where LRMPs do not meet the First Nations' interests, the province should provide First Nations with an opportunity to make a Statement of Interest on the LRMP. If this statement cannot be accommodated within the LRMP, the province should initiate an LRMP review at the time treaty negotiations reach an Agreement in Principle.

(b) Establish a task team to examine ways to bridge the gap between the provincial government and First Nations with respect to different interpretations of the tests and principles of *Delgamuukw*.

(c) With respect to treaty-making, the provincial government should discuss with the federal government and First Nations:

- New approaches to ensure that there are incentives for all B.C. First Nations to participate in treaty negotiation.
- New approaches to implement Interim Measure Agreements at an early stage of treaty-making (see Part 2, Appendix B).
- Options to accelerate the treaty-making process.

THE FOREST INDUSTRY 2

DYNAMIC, GLOBALLY COMPETITIVE AND DIVERSE

The British Columbia forest industry has a long and successful history of adaptation to changing circumstances. It is a unique industry, with many special characteristics and qualities that can be best appreciated through an understanding of the arrangements that have developed through time.

Prior to World War II the volume of high quality natural timber, relative to demand and technology, appeared to be almost limitless. Managing and regulating the overall use of the forests was relatively straightforward.

After World War II, demand for forest products began to grow rapidly. Continued growth of investments in harvesting and milling was clearly a real possibility, but the challenge was becoming one of how to identify and allocate the timber to accommodate such growth.

In the mid-1940s the Sloan Royal Commission, by regulating harvest rates, sought to ensure a steady long-term timber supply and the industry's continuing presence in the provincial economy. Mr. Justice Sloan also suggested policies and regulations affecting tenure, conservation and utilization. He also sought mechanisms to capture an appropriate share of revenues for the province through stumpage fees.

In time, the industry entered a modernization phase, which continued from the start of the 1950s to the 1980s.

The overall directions of modernization, and the forces at work, remained essentially the same for an extended period. This period was characterized by:

- An increasing commitment of available timber to an ever-expanding manufacturing sector.
- The growing concentration and centralization of industry ownership.
- The declining importance of the small operator in harvesting and milling.
- The ever-increasing scale of milling operations.
- Increasing reliance on complex technology.
- Increasing diversification, particularly into pulp and pulp products.

During its development the B.C. industry became thoroughly modern, sharing with the rest of the industrial world a culture of management and business that emphasized quality, cost minimization, and efficiency.

THE PRESENT

In our public consultations it was clear that British Columbians want the industry to continue to be a key contributor to economic growth, employment and community stability. Stakeholders recognize that the industry must be strengthened and diversified.

The forest industry today, more than at any time in its history, is not a single industry at all. It comprizes a complex and intertwined series of relationships between many, diverse businesses. To understand the changes required, it is necessary to distinguish between the Interior and the Coast.

THE INTERIOR

The Interior industry manufactures large volumes of relatively homogeneous lumber products primarily for home construction in the U.S. State-of-the-art technology focusses on high fibre recovery and productivity. Over the past year those companies with significant U.S. market quota have been very profitable. They have continued to reinvest capital to further improve operations.

The Interior also produces other significant wood products. It boasts three very competitive oriented strand board operations that utilize aspen, a deciduous fibre. Another such operation is under development. The Interior is also home to one laminated veneer lumber and ten plywood operations. All produce higher value engineered wood products.

Logs are sorted for increased value, to be used in log home construction and as treated electrical poles. Logs are also manufactured to customer specifications to respond to higher value demands in the market.

Species segregation, log bucking, company-to-company trading and sales activity occur in some parts of the Interior. The growth of secondary manufacturing by integrated companies, and the emergence of stand-alone secondary manufacturing for new markets, speaks to the increasing diversity in Interior wood products.

Primary manufacturing creates residual wood chips as a by-product. Forests in the Interior also contain many trees best suited for pulping. Together, these two sources provide a balanced fibre diet for Interior pulp operations. The industry, however, faces numerous competitive pressures. Most notable is the large supply of lower cost pulp from international producers.

The health of the Interior pulp industry has suffered from low capital investment dictated by poor financial returns over the past decade. Until the pulp price recovery in the fall of 1999, the future for Interior pulp producers looked bleak.

THE COAST

On the Coast, the situation is much different. By contrast with the Interior, the fibre supply is far more diverse in both species and grades with an approximate 25% pulpwood component.

Relative to the harvest, the Coast has serious sawmill over capacity. Contributory factors include:

- The Protected Area Strategy (park designations which limit fibre supply)
- Impact of the Forest Practices Code (reduced fibre supply)
- The Timber Supply Review (reduced fibre supply)
- The cost structure (including stumpage)
- Significant erosion of the Japanese market (principal buyers for most Coastal whitewood)
- Limited access to the U.S. market. (Most Coastal mills were active in the Japanese market and missed out when U.S. quota distribution was made).

Coastal forests comprise 60% hemlock and balsam for which the market is currently limited. Additionally, there appears to be lack of clarity on the type of manufacturing facilities required to best utilize this fibre resource.

The diversity and quality of Coastal fibre has given rise, however, to a large, well established and highly integrated secondary wood products manufacturing industry. The Coast accounts for two-third of the province's value-added production. It is based primarily on residuals from primary lumber products and decorative products from Western Red Cedar and Cypress. The difficulties of the Coastal primary sawmill business have hurt the secondary wood products sector.

The Coastal pulp and paper industry suffers, in particular, from three key problems. There are shortages of low cost residual wood chips and pulp logs, operating costs are higher than competing jurisdictions and the mills are smaller and older.

In short, there are probably too many pulp mills on the Coast, given fibre shortages, costs and market pressures. With few exceptions, the entire Coastal business has been unable to generate the necessary investment returns so it can re-tool and address new market opportunities.

CURRENT STATE OF THE INDUSTRY

Higher Costs

The B.C. industry today, is far different from 10 or 15 years ago. It has among the highest delivered log costs in the world.

Several influences are at play. Acceptable forest practices have pushed up costs, easily accessible low cost timber stands have declined and cost savings from technological change have levelled off. At the same time, other relative costs — such as stumpage, labour, transportation and energy — have increased substantially.

Increasingly, financial analysts express concern about a progressive loss of competitiveness.

Although Interior logging costs are higher than elsewhere in Canada, lumber producers have generated higher returns, partly because of B.C.'s higher quality fibre.

On the Coast, cost increases have been felt more severely due to the loss of the Japanese market. Poor medium-term investment returns for Coastal companies in particular, inhibit reinvestment.

Industry and government have taken dramatic steps to improve efficiencies during the last two years.

Technological Impact

Technology, which once gave B.C. a powerful advantage in the production of commodity products, is now better exploited by our competitors (Scandinavia, Chile and New Zealand). For example, they harvest lower cost timber in shorter rotations and produce large volumes of both commodity and higher value niche market products. In fact, many regions now supply the same relatively homogeneous commodity products that once dominated B.C. production. Often, they do it cheaper. British Columbia's former commodity market dominance is under increasing pressure.

Market Changes

A change in the overall character of markets has also been occurring. Big box retailers dominate in a way unknown just a few years ago. The buyer is now much more powerful in setting the terms of supply arrangements. Market relationships are now less stable, more fractured and volatile. Suppliers must adapt and respond quickly to shifting buyer needs and demands, and be able to innovate and develop new products quickly. An added complication for B.C. producers is that customers' concerns now extend beyond the products' physical characteristics. Environmentalists have persuaded international buyers to insist that products coming from our forests be harvested in an ecologically sustainable manner.

Access to the United States market has also changed significantly over the last few years. The Canada-U.S. Softwood Lumber Agreement, entered into in 1996 in response to import duty threats, significantly curtails B.C. market opportunities. Each producer is limited by quota available to it under the agreement.

Moving to a New Market Model

This review makes recommendations in a number of policy areas to enable the industry to respond dynamically to changing economic circumstances and to be more competitive. The approach is to ask whether new market instruments might better serve to achieve desired results.

Various participants throughout the public consultation process indicated a strong desire for better fibre utilization and support for initiatives that would see the forests generate greater value.

The following lists the most important challenges or questions that confront the introduction of new or improved market instruments and arrangements.

1. Could log markets increase value, diversity and competitiveness?
2. Could a new transactional-based stumpage system make the Coast more dynamic and diverse?
3. Could tenure reform increase value, diversity and provide for better forest management?
4. How can further development of small business be supported?
5. How can market access be increased and new market opportunities encouraged?
6. What associated policy changes and new initiatives will be required to respond to a new market model?

1. Could log markets increase value, diversity and competitiveness?

The mechanisms by which timber is allocated or used are obviously critical to the achievement of maximum value. Considerable support was voiced during the public consultation process for new ways to improve log markets so that the right log goes to the right mill.

Amending current practices and establishing log markets could enhance the value of wood fibre and provide for greater diversification. Wood can be used in almost limitless ways today. The need to compete and prosper, and to create sustainable jobs and communities, will depend increasingly on our using wood for the highest return. Opportunity must be created for technologies to take root and develop.

There are significant differences between the Interior and the Coast. On the Coast, due to variations in species and products, companies exchange significantly greater fibre volumes.

While not universal, throughout the Interior there is some sorting and redirecting of timber and logs to achieve higher values. As noted earlier, timber for log homes and poles are sorted and directed to higher value end products. Through the establishment of log markets there would be new opportunities to increase sorting by species and manufacturing of logs to recover higher value. This, in turn, would facilitate greater product and market diversification.

All Coastal companies manage various types of log sorts and trades for higher value end use. Low-cost water transportation facilitates sorting and log re-distribution. Vigorous log trading has existed on the Coast for many years. Despite provincial processing requirements, companies engage in considerable inter-company trading. Some of this informal trading may preclude the highest return for the fibre. The existing log market may not fully meet the criteria for an open and competitive log market.

A significant number of trades (logs for chips) and the existence of private commercial forests on Vancouver Island influence the distribution of logs and realization of higher values.

Establishing a Competitive Log Market

To have an effective competitive log market, the proportion of the existing harvest needed in the market is a practical question hinging on two considerations.

First, what volumes would be sufficient to ensure that enough representative timber of every species, type and quality is available in a competitive log market? In order to rely on a log market to supply larger volumes, buyers need the certainty that such volumes will be available at market prices in the long-term. A thin market is insecure and discourages investment.

In the Interior, it is likely that large scale, high volume commodity mills will generate the best value use for most of the timber supply for some years. By contrast, on the Coast it can be expected that products will continue to be much more diverse and the industry much more complex and varied.

The second consideration, price information, is the key to effective market operations. Log or timber market buyers will likely be quite diverse. They will include operators of existing commodity type mills who will seek to obtain supply increments needed for high capacity operations. More speciality mills will also create a demand for fibre. Secondary and tertiary product manufacturers will increase in numbers.

If the proportion of timber entering the market is too small, prices won't accurately reflect true open-market values. Some industry players claim that high fibre prices on the Coast have discouraged them from pursuing higher value opportunities. Hence, the market's effectiveness in distributing timber to the highest and best uses is impaired.

There has been considerable debate on the Coast about the volumes that should be dedicated to a log market to ensure representative prices.[5] This question has never been carefully assessed. There should be a study of current internal and external transactions.

As well, the proportion of logs that companies may be required to contribute to a log market must be determined based on a principle of equity.

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5 Today, approximately 30% of the Coastal harvest is transacted in documented sales. In fact, fully half of the Coastal log harvest is exchanged between companies.

In the Interior, the situation is different. A much smaller percentage of Interior log production will be required to ensure log markets function effectively. The volumes, however, will still be substantial. As well, Interior log grades need to be reformed in order to facilitate trading. It is worth recalling that in 1999 the Interior public timber harvest was 3.25 times that of the Coast. Sub-regional log markets (in the Kootenay wet belt eco-system, for example) could be established to accommodate demands for diversity and adaptation to more specialized, higher value products. This requires further examination before a final conclusion is drawn.

2. Could a new transactional-based stumpage system make the Coast more dynamic and diverse?

The stumpage system is the mechanism through which government, the owner of 95% of the resource, collects a rent or return.

Prior to 1987, the government utilized a Rothery "residual" system under which it collected revenue from the use of timber based on the market value of end products after all the costs had been accounted for. The cost of labour, capital consumption, and cash inputs associated with both harvesting and processing was determined. The stumpage for different stands varied according to relative quality or value and the harvesting costs. Adjustments could be made in individual stands without directly impacting the rate for other stands.

In October 1987, the provincial government established a new stumpage system known as Comparative Value Pricing (CVP). The CVP system ensures that target revenues are achieved while allowing for individual variations based on differential conditions. Target revenues are calibrated to the market value of standing timber and adjusted quarterly for changes in market prices. The system allows for periodic reviews to recalibrate costs.

Advantages of a New System

During our public consultations, there was broad support for more market-based pricing. As already noted, change is more rapid and continuous on the Coast than in the Interior with respect to markets, products and the industry overall. There is much greater diversity in species, grades, values and operating conditions on the Coast. This suggests the need for a new market model that facilitates change with strong incentives and rewards.

Using a competitive log market on the Coast would assist and promote change, providing the issue of manufacturing over-capacity created by timber processing requirements are addressed. The full impact and benefit will not be felt unless stumpage charges are made much more flexible and responsive by linking them integrally to a log market.[6] The existing stumpage system, if unchanged as log markets expand, will exacerbate an already difficult situation and miss the full impact and benefits of log markets. An additional advantage of linking stumpage fees to the log market is that current harvesting relationships would remain.

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6 The new system will also need to examine the definition of log grades.

However, new strategic alliances between licensees and contractors could emerge through the provision of new market contract arrangements.

In the Interior the objectives of increasing value, diversity, and better forest management can be achieved through tenure reform. Stumpage reform is not required at this time.

3. Could tenure reform increase value, diversity, and provide for better forest management?

Tenure arrangements have played a powerful role in shaping the forest industry. The opportunity to acquire timber and process it has largely depended upon the ability to obtain tenure from the government. The mechanism for this has been through an administrative, government-managed process. Today, virtually the whole of the working forest in B.C. is committed under various forms of tenure. Most of these tenures were granted in the mid-1950s and 1960s under the high volume commodity strategy prevailing for many years. Markets played virtually no role in allocating these tenures; they were seen as unnecessary for determining highest value uses. Instead, it was assumed that government officials responding to industry proposals could best make those determinations.

Private ownership of forest lands has never been considered as a workable option in British Columbia. Public resistance has been, and continues to be, strong. Private ownership would make regulation and the enforcement of public values much more difficult than under existing tenure arrangements.

Due to the fact that woodlot owners are required to provide private land as a condition for receiving a woodlot licence, there is some interest in providing greater flexibility on land ownership in this situation. However, this opportunity should only be given to those that have demonstrated strong sustainable forest management practices.

There is renewed interest in alternate tenure arrangements that would encourage change, diversity and investments in lands and timber stands. This includes moving from volume to area-based tenures. Recent experiments with alternate forms of area-based tenures have showed promising results. Pilot projects in the form of Innovative Forest Practices Agreements have assisted in gaining an understanding of how incentives for tenure holder improvements can be embedded in tenures without embracing private land tenures in the traditional sense.

There appears to be considerable interest within the forest industry in adopting this type of tenure. A shift to area-based tenures in the Interior would bring other benefits to tenure holders, if greater security, predictability and operating flexibility were afforded. Some existing tenure holders have indicated their willingness to release some fibre for allocation to other users, in return for a shift to area-based tenures. These tenure holders stated they would be willing to make investments in the long-term future of the land (over and above legally prescribed minimums) if the government articulated a clear compensation policy that acknowledged financial obligations for the additional work performed. Without such a commitment, companies have little incentive to undertake enhanced silvicultural work.

Increments of fibre from this source could be used to diversify tenure holdings, particularly in terms of First Nations and community-based tenures. This kind of tenure diversification could free up logs for log markets. The transition to log markets would thus be part of a volume to area conversion process, the details of which will require further discussion.

4. How can further development of small business be supported?

Small Scale Forestry

Small Scale Forestry is a term used to describe a broad cross section of community based harvesting, log distribution and timber manufacturing operations. Small scale forestry is largely about individuals and entire families having the opportunity to develop their ideas and invest time and resources in businesses that draw on and support local communities and jobs.

In particular, woodlot owners, salvagers, log home builders and independent sawmill manufacturers have expressed strong interest in increasing value from the forests and contributing to greater diversification.

Woodlot owners have opportunity, through the woodlot licence program, to bring into production private land in conjunction with Crown timber and develop unique forest management strategies that augment other resource goals and business objectives.

Independent sawmill manufacturers have considerable interest in expanding their current businesses through log markets and tenure reform. Many independent sawmillers depend on purchasing fibre to supplement their own licences.

Added Value Through Secondary Manufacturing

Increasing value through secondary manufacturing means making finished or semi-finished products rather than producing raw materials and unfinished basic products. Producers add further processing to create a more saleable and valuable product. They may increase the amount of skilled labour used in enhancing their products or add additional materials. They may further process, re-manufacture and then market the enhanced product in a semi-finished or finished form.

Recent studies estimated that in B.C. the industry comprised nearly 800 firms in 1997, a 21% increase since 1990. These represented estimated sales of over $3.8 billion. Even so, average sales are small (about $5 million each). Direct employment was more than 19,000.

Log markets should assist the value-added sector which requires, but can not always obtain, secure raw material supplies at market prices.

5. How can market access be increased and new market opportunities encouraged?

Trade with the U.S.

Successful attempts by U.S. producers to limit access by B.C. products hurts businesses, jobs, communities and the provincial economy. This impact is felt unevenly, however. Considerable disparity has developed between companies enjoying quota and those that do not. Furthermore, the overall restriction of trade access for Canada has resulted in other countries increasing their share of the U.S. market. It will be critical for B.C. interests that U.S. trade restrictions are removed.

Other Tariff and Non-Tariff Barriers

Europe has banned green B.C. whitewood products because they may house the pinewood nematode, a microscopic worm that resides in coniferous trees. Heat treatment, or kiln drying, the only acceptable mitigation processes, are generally uneconomic for most construction grade lumber for the European market. The impact on Coastal B.C. has been severe. The market loss represents potential annual sales of about $160 million — equivalent production for two Coastal sawmills.

While acknowledging that the risk of infestation is low, the European Union continues to prohibit the importation of green wood from Canada. After years of scientific discussions, Canada has concluded that the European restrictions are not based on science but are solely trade motivated. The only option to resolve the matter is through the World Trade Organization.

Promotion of B.C. Wood Products

Developing a comprehensive and effective promotional and marketing strategy is a critical element of a new market model. As indicated earlier, the forest industry comprizes an expanding diversity of individual and unique business segments. While individual companies, particularly with proprietary products or processes, prefer to establish their own promotional and marketing efforts, some common issues cut across forest companies' individual boundaries. For example:

- extending and expanding marketing (China and India)
- reversing the trend of substituting other materials for B.C. wood
- establishing a brand identity for B.C. wood products
- codes, standards and sustainability

The province, as owner of the forests from which are derived economic, environmental and social benefits for all British Columbians, should increase its work with industry and environmentalists to promote B.C.'s forests internationally.

A Canada Wood Marketing Initiative involving a broad cross section of industry, including B.C. stakeholders, is being developed to promote acceptance of wood products to consumers concerned about the long-term sustainability of our forests. It also is concerned about developing new primary and value-added products and technology. This initiative has sought support for its objectives from both federal and provincial governments.

The B.C. forest industry is also engaged in a North American wide campaign entitled *Wood is Good*, which is focused on marketing wood as the environmental building product of choice.

6. What changes will be required by government to support a new market model?

Change in the directions suggested in this report means that there must be a parallel re-definition of the role of government within the industry. This new role for government must enable industry to respond to the new market model outlined. The most significant change for government is that it will no longer be expected to determine and enforce a wide array of administrative instruments.

This is essentially where the role of government must be re-engineered. Achieving these changes will not be easy and will take time. The existing system has developed over a long period. Care must be taken to work with those affected, and to ensure that legitimate public concerns are accounted for.

While the very role and organization of government will change over time to support the new market model, the following specific policy issues require immediate attention.

- timber processing requirements
- harvest policy - cut control
- research and development

Timber Processing Requirements

A number of legislative requirements, introduced in the 1950s to expand manufacturing opportunities, tend to lock in the vertical integration prevalent in the industry today and impede its ability to move to a new market model. Specifically, these impediments are:

- mill appurtenancy provisions (a contractual requirement to process timber at a specific mill; enforced by Forest Act sections 76 — 77 which makes violation of a term of a licence a violation of the act)
- timber processing provisions (a contractual requirement that timber be milled in a licensee's mill in the province; also enforced by sections 76 — 77 of the Forest Act)
- section 71 of the Forest Act (reduction of cut for mill closure or failure to maintain processing operations).

A new system is also needed to deal with changes in milling capacity. Any consideration of change with respect to the controls and government management of these kinds of decisions must take into account an important aspect of the historic relationship between government and industry. That arrangement essentially provided that in return for secure wood supplies to maintain high and stable operating volumes, industry would sustain milling capacity within the regions. This undertaking was not especially explicit, other than through provisions with respect to mill closures. And even these provisions are not such as to preclude closures, but they do make certain changes dependent upon agreement by government officials.

The changes that can be anticipated as the industry capitalizes on new value-creating opportunities will be quite different from the kinds of rationalizations that have occurred in the recent past as mills were closed to reduce costs within the high volume commodity strategy. We can expect to see new mills and processing plants, many involving renewals of existing sites in forest-dependent communities, and others involving new green field sites in other communities.

A new system is needed to ensure that the public interest is accounted for as the profile of mills and processing changes over time, replacing the cumbersome and inflexible appurtenancy and Forest Act provisions that apply to mill closures. (See Section 3.)

Harvest Policy — Cut Control

Harvest policy is the mechanism through which the government articulates both the level of harvest permitted through tenure arrangements and parameters or variations permitted. Historically, the fundamental basis for establishing clear parameters for harvest levels was twofold — to constrain logging and to ensure continuity of forest operations, milling, employment and community stability.

Currently, forest companies holding replaceable licences are required to meet annual and five year cut control rules. If a licensee is undercut in its five-year cut control period, the Minister of Forests may exercise his discretion to reduce the AAC of the licence and advertize the undercut for other purposes.

The existing system does not allow companies sufficient flexibility to respond to changing market demands. A new market model should provide new flexibility with respect to decisions concerning the timing and volume of timber harvested.

Research and Development

B.C. and Canada lag far behind other major wood producing nations in the level of science and technology (S& T) investment relative to forest sector gross domestic product. Total public and private S&T investment in the B.C. forest-sector represents 0.66% of sales, compared to 1.5% in the U.S., 1.7% in Sweden and 1.85% in Finland.

The present S&T investment in the B.C. forest sector, already very low when compared to international competitors, is expected to decline even further. Publicly funded forest sector S&T has mainly focused on the management of forests and the production of commercially valuable timber. It has been very dependent on soft funding through time-limited initiatives (e.g. federal-provincial agreements, Forest Renewal BC Research Program). The situation for forest products research is even worse. MacMillan Bloedel's world class research facility was closed and much of the talent left B.C. Canfor, the only other B.C. company with a material commitment to forest products research, has reduced its expenditures by a third. The budgets of the three research institutes, Forintek, Paprican and the Forest Engineering Research Institute of Canada have also been reduced.

The province needs a dedicated forest research and development fund to re-focus and leverage monies under the umbrella of an independent board.

RECOMMENDATIONS

Implicit in the following recommendations is that the government will engage the appropriate parties — licensees, contractors, value-added firms, unions, First Nations, communities and environmentalists — in the implementation of forest policy that directly involves them.

The government should recognize the unique differences between the Coast and Interior wood products businesses and, where appropriate, establish different policies to respond to each.

RECOMMENDATION 1: The government should review and identify measures necessary to establish competitive log markets throughout B.C. in support of higher value for B.C. wood products and increased diversification. Specifically, it should address the following:

- What representative volume of timber and logs are currently transacted?
- What factors limit volumes available to buyers?
- What additional volumes may be required to establish a sufficient market?
- What mechanisms need to be established to document representative sales?
- How will the principle of equity be applied?

RECOMMENDATION 2: The government should, within six months, establish a competitive log market and design, test and implement a new market-based pricing system (transactional-based system) on the Coast with specific reference to:

- Establishing a cost and market sensitive system for determining the value of standing timber and stumpage.
- Defining the characteristics and structure for a competitive log market.

- Providing a supply of wood to the log market by:
  - Section 20 sales (Small Business Forest Enterprise Program)
  - Community/First Nations and woodlot sales
  - Converting 50% of a full-phase contractor's harvesting entitlement to a market contract with a profit sharing arrangement.

RECOMMENDATION 3: The government should undertake tenure reform to support greater diversification through new cooperative Forest Stewardship Agreements and strategic alliances.

- The government should initiate discussions with industry, communities and First Nations to develop a Framework Agreement to guide the formation of Forest Stewardship Agreements and strategic alliances. The Framework Agreement should address the process, principles and scope for negotiations.
- The government, using the Framework Agreement, should initiate negotiations with industry, First Nations, communities, and affected parties to establish Forest Stewardship Agreements and strategic alliances.

Forest Stewardship Agreements

These agreements call for the transfer of volume-based replaceable licences to area-based licences. Their terms of reference should include the following:

- The geographic area to which the Agreement will apply.
- The areas for which the existing tenure holders, First Nations and communities will have harvesting rights and stewardship responsibilities. (An area could be managed by one licence holder or a consortium of licence holders.)
- Provisions for a management plan specifying management practices, performance standards and harvest levels.
- Monitoring and auditing procedures including provisions for public involvement.
- Plans to achieve certification.
- Provisions for a log market (Section 20).
- Provisions to increase value-added manufacturing.
- Options for a new pricing system in the Interior that recognize regional differences.
- Recognition of the principle of equity.

Strategic Alliances

On the Coast, area-based replaceable tenure holders, in partial fulfilment of their obligation to establish a log market, should provide tenure opportunities to communities and First Nations through strategic alliances.

RECOMMENDATION 4: In order to support the new market model, and specifically to promote tenure diversification, the government should:

- Remove mill appurtenancy and timber processing restrictions from forest licences and amend Section 71 of the Forest Act to include a Mill Closure Review that supports mill rationalization due to over-capacity. (See Part 3).
- Eliminate annual cut-control requirements.
- Establish a clear compensation policy for tenure holders including the principle of recognizing investments made in lands to enhance forest values beyond legal requirements. (No compensation should be provided to tenure holders that exchange rights through strategic alliances, Forest Stewardship Agreements or supply fibre to log markets.)

RECOMMENDATION 5: The government should provide for new and expanded diversification opportunities for woodlot operators and independent manufacturers.

Woodlot Operators

- Double the number of woodlots over the next ten years.
- Increase maximum size of woodlots, under certain circumstances.
- Support the current woodlot Forest Practices Code pilot project.
- Within the woodlot Code pilot, test an alternative stumpage pricing system, e.g. 25% of selling price.
- Provide policy direction to enable the transfer of woodlot ownerships.
- Provide existing woodlot operators with an option to purchase Crown Land contained in their woodlots, based on demonstrated evidence of strong sustainable forest managment practices.

Independent Manufacturers

- Establish new opportunities through Forest Stewardship Agreements, strategic alliances and log markets.

RECOMMENDATION 6: The government should continue to support diversification in value-added secondary manufacturing by:

- Evaluating Forest Act Section 13.1 (1) and 21 program objectives and determining if modifications are required.
- Expanding existing strategic alliances with major licensees.
- Expanding the current value-added strategy as defined by FRBC.
- Encouraging regional manufacturing clusters.
- Establishing a single window approach within government to assist the value-added sector.

RECOMMENDATION 7: The government should work co-operatively with the industry and the federal government to develop and implement new market access strategies to:

- End trade restrictions on Canadian wood products into U.S. markets and tariff and non-tariff barriers in other jurisdictions.
- Develop plans to promote B.C. forests internationally.

RECOMMENDATION 8: The government, through Forest Renewal BC, should contribute $25 million annually to a Forest Research and Development Fund to be distributed by an independent board. The board should direct research and development activities on enhanced forestry, innovative technology, products, markets and processes.

RECOMMENDATION 9: The government should provide for an increased tax credit for research and development.

COMMUNITIES AND WORKERS 3

A NEW RELATIONSHIP

This section reviews the development of communities and patterns of employment in the forest sector. A key question is: How can we assist communities and workers through the period of change foreseen by this report?

Throughout the 1900s, the provincial government's forest strategy was based on the industry's right to access Crown timber in exchange for investment in manufacturing facilities that created jobs in communities. This strategy was achieved through legislative policy.

In 1901, legislation was introduced that restricted the export of unmanufactured timber cut from Crown land. In the early 1900s, to increase its control over social and economic development, the government began restricting harvesting licences to require the licence holder to process timber at a particular mill, or later, at mills owned or to be constructed by the licensee in the province. Usually, these processing facilities would be located close to the timber being harvested. By the 1970s, this requirement, referred to as mill appurtenancy, had become fairly common.

The objective of these and related policies was to stimulate social and economic development in regions where timber harvesting occurred. They determined much of the pattern of human settlement throughout British Columbia as workers and their families moved to the mills constructed in proximity to harvesting operations.

Until the 1970s, this industrial strategy was successful. Timber harvesting and manufacturing, both of solid wood and pulp and paper products, continued to grow. Communities were relatively stable and employment increased.

We can see the results in terms of dependency on the forest industry outside of the major urban centres. Forestry is the primary income source for the residents in 23% of B.C. communities. The table below shows the degree to which selected communities are dependent on forestry:

Community	% of Income Derived from Forestry	Community	% of Income Derived from Forestry
Port Hardy	51%	Vanderhoof	46%
Fort Nelson	46%	Quesnel	45%
Burns Lake	41%	McBride-Valemont	39%
Alberni	37%	Hazelton	37%
North Thompson	36%	Smithers-Houston	36%
Queen Charlotte Islands	35%	Powell River	34%
Prince George	33%	Lake Cowichan	33%
Williams Lake	31%	Castlegar-Arrow Lakes	30%

Source: BC Stats. British Columbia Local Area Economic Dependencies and Impact Ratios — 1996.

By the late 1970s and into the 1980s, forest industry strategy focussed on high quality and high value commodities with low unit costs. They were produced in large-scale, high volume plants using standardized manufacturing processes. This approach required fewer employees per unit of production than in earlier decades. Those employees, however, required higher skills and received premium wages. Due to expansion in production, employment remained relatively stable.

Through the 1990s, a number of features created a very different dynamic for communities and forest sector workers. These changes included higher relative timber harvesting costs, competing commodity-type production from other parts of the world, greater price competition and restrictions on access to the U.S. market.

Despite these changes, total employment has remained relatively constant although significant changes have occurred in the nature of the jobs people are employed to do. Harvesting and processing employment has declined on the Coast and remained relatively constant in the Interior. Employment has declined somewhat in the pulp sector due to a fibre shortage, increased global supply and the entry of new competitors. Increased investment by industry and government in basic and enhanced silviculture and watershed restoration and the introduction of the Forest Practices Code, have resulted in greater technical and professional employment throughout the province. Technological changes in harvesting and processing have altered the nature of available work and the skills required for that work. The table below demonstrates these employment changes:

Year	Forestry Services	Logging	Wood Manufacturing	Pulp, Paper & Allied Product	Forest Industry All Sectors Total
1983	2,796	19,934	38,932	18,210	79,872
1984	3,065	19,311	37,276	17,109	76,761
1985	2,812	19,561	35,338	18,207	75,918
1986	3,191	16,040	32,758	19,085	71,075
1987	4,499	19,252	40,726	20,461	84,939
1988	5,876	18,094	43,955	21,051	88,976
1989	6,936	18,771	42,342	21,743	89,792
1990	7,067	16,091	44,330	22,313	89,802
1991	6,737	18,586	39,840	20,904	86,067
1992	6,574	17,802	38,607	18,513	81,495
1993	8,169	18,672	38,105	18,671	83,617
1994	8,311	20,177	42,804	17,985	89,276
1995	9,056	20,408	39,916	18,248	87,628
1996	8,564	20,695	42,293	16,536	88,088
1997	8,526	20,286	43,048	14,771	86,632
1998	9,166	18,090	40,078	14,960	82,293
1999	10,197	18,200	41,286	15,922	85,605

Source: Survey of Employment, Payroll and Hours (SEPH), Statistics Canada. The 1999 figures are estimates as they include preliminary December results.

Responses to Change

a) Support for Communities and Workers

Over the last two decades government has responded with strategies to support communities and workers. In the recession of the early 1980s, government created the Job Protection Commission whose continuing function is to look at means of sustaining companies or operations threatened by closure. The legislative mandate of Forest Renewal BC (FRBC), established in 1994, includes fostering forest employment opportunities and job training and other related initiatives to assist forest workers and to expand the forest work force and supporting community development and adjustment.

Between 1994 and 1999, FRBC invested over $52 million in assisting economic diversification in more than 70 forest dependent communities, including those of First Nations. Approximately 161 communities have undertaken significant planning and are prepared to move to a new phase of economic diversification both within and outside the forest sector. Communities have substantially completed the planning process. Their need now is to move to infrastructure development that allows them to create conditions for economic diversification and to ensure capacity to meet new land use and stewardship responsibilities.

FRBC also provided significant support to forest workers. Between 1994 and 1999, it spent $237 million funding training and transition support for over 38,000 forest workers. FRBC refined its program focus in the face of reduced funding in 1998/99.

The government also negotiated a four-year program of initiatives in the Jobs and Timber Accord with industry in June 1997. For the following two years, the parties to the accord faced daunting economic pressures. Ten mills, including a pulp mill, closed permanently. There were other temporary closures. The Office of the Jobs and Timber Accord Advocate, working with the Job Protection Commission and the Ministry of Forests, developed a mill closure review process to maintain existing operations and to identify new business opportunities in communities where mills had closed.

Training in the forest sector has historically been enterprise-based. Government has recognized that different and diversified skills are required. Through the Ministry of Advanced Education, Training and Technology (MAETT), the Industrial Training and Apprenticeship Council (ITAC) and FRBC, government education and training initiatives include:

- forest industry programs provided by base-funding for public post-secondary institutions
- an additional $20 million for forestry-specific training and entry level trades training focussed on the forest industry
- apprenticeship training through ITAC
- funding directly through FRBC ($4.3 million for 97/98) and indirectly through training

programs developed by unions and industry that use post-secondary institutions for delivery

- funding the JUMP (Joint Union Management Program) in the pulp and paper sector which received significant industry and union support.

b) Community-based Forest Tenures

Community-based tenures have increasingly been seen as a vehicle for community economic diversification and control. Historically, large forest companies have held most Crown tenures, but there have always been exceptions. Revelstoke has operated TFL 56 since 1993 and Mission has operated TFL 26 since 1948.

Over the last several years, two principal forms of community-based tenures have emerged. These are:

- Woodlot licences issued to successful applicants to manage specific plots of Crown timber. Municipalities interested in a woodlot licence must form a separate corporation for that purpose. Some communities, First Nations and others currently hold woodlot licences.
- Community forest agreements introduced in 1998 through amendments to the Forest Act. Seven pilot projects are now approved. These pilot projects cover a range of possible forms for community-based management including a municipality, a corporation formed by a municipality, a First Nation in partnership with a municipality and a watershed protection society. Community forest agreements are area-based tenures of 25 to 99 years duration, replaceable every 10 years after a five-year probationary period. The tenure holder must represent a broad range of interests in the community.

c) Community Involvement

Successive governments have recognized the desire for increased community involvement in forestry during the last decades. A number of differing vehicles for that involvement have developed including:

- Land Use Planning tables
- Advisory Bodies (e.g., Community Resource Boards)
- Community-Based Timber Tenures (e.g., woodlots, community forests)
- Partnerships/Joint Ventures
- Co-Management (e.g., Islands Trust, Central Regional Board)
- Community Control Models (e.g., forests in trust)
- Private Ownership (e.g., municipally owned lands, conservation covenants)

A Way Forward for Communities and Workers

By improving certainty on the land and supporting a new market model, new opportunities will arise for communities and workers. The following questions should be considered:

- How can communities take advantage of increased opportunities for economic diversification and for new community-based tenures?
- How can communities be more involved in forest management and economic diversification?
- How can we ensure a skilled and adaptable future workforce?
- Can industry and unions work co-operatively to assist in developing a globally-competitive industry?
- How do we support communities and workers when a mill closes?

Economic Diversification and New Tenure Opportunities

Significant opinion was expressed in the public review process that government should provide additional support for community economic diversification. Communities seek to reduce dependency on forestry given the cyclical nature of the industry. They recognize that economic diversification, both within and outside of the forest industry, provides the best opportunity for employment and community stability. As discussed earlier, 161 communities have substantially completed the planning process.

Communities have identified a number of strategies for achieving economic diversification:

- Establishing partnerships with industry in order to enhance value-added activity and new jobs
- Developing other commercial uses of lands consistent with land use plans
- Developing industrial parks to attract new businesses
- Building the capacity to undertake new responsibilities.

We have concluded that a significant increase in funding currently provided through FRBC is required to ensure that communities and First Nations have sufficient capacity to implement their plans. We recommend that a Community Diversification Fund be established with clear program objectives and sound eligibility and accountability criteria for access to these funds.

There was also strong support in the public review process for community management of forest lands through new community tenure arrangements. Communities that seek to undertake a community forest initiative will have a variety of motivations — from economic returns to education and environmental protection.

Community-based tenures have a number of potential benefits, including:

- opportunities for the community to promote economic diversification
- enhanced opportunities for communities to obtain revenue through sales that achieve the highest value for timber (e.g., the Revelstoke TFL)
- development of other non-timber values (e.g., recreation and tourism, education)
- new forms of forest management (e.g., community-based eco-forestry)
- opportunities for First Nations to benefit from the forests
- better resolution for some land use conflicts
- reduced concentration of tenure holdings.

This report recommends an increase in the opportunities for community-based tenures. As outlined in Part 2, First Nations and communities will obtain these new tenure opportunities through strategic alliances and Forest Stewardship Agreements. In addition, government should continue the expansion of community-based tenure opportunities through utilization of the 5% takeback related to tenure transfers. This does not preclude the right of new tenure holders from making application for re-instatement of the 5% takeback.

The government should closely monitor the success of implementing strategic alliances and Forest Stewardship Agreements. If these initiatives do not result in increased community-based tenure opportunities, the government should identify other measures that will ensure the achievement of this recommendation.

Increased Community Involvement

This report foresees increased community involvement in four key areas:

- Land use planning including the development and continuing review of LRMPs
- Forest management through Forest Stewardship Agreements and strategic alliances
- Expansion of community based tenures
- Decisions on access to the Community Diversification Fund.

We heard differing views as to the desirable degree of local decision-making authority. Some people were content with the current arrangement that provides community stability and jobs. Others sought an expansion of opportunities for community forest agreements while others proposed a greater role for local decision-making in relation to all aspects of the forest industry, eg. local eco-system based planning.

We also heard differing views concerning the type of local community-based structures that

should be involved in forest decision-making. Some people, not wishing to see the creation of additional bureaucracies, advocated the use of existing decision-making authorities (e.g. municipalities, Columbia River Basin Trust, Cariboo Economic Action Forum). Others, however, urged the creation of Regional Forest Management Boards. We propose that a government task force should be mandated to make recommendations about decision-making structures.

To ensure that a co-operative working relationship is established between government, industry, communities and First Nations, a framework agreement to guide the formation of Forest Stewardship Agreements and strategic alliances has been proposed.

An element of the framework agreement would be negotiations with First Nations of an Interim Measures Agreement. (See Appendix B).

We propose that government work with communities and industry to develop a similar agreement.

Maintaining a Skilled Workforce

Today, industry is the primary agent for training workers for employment in the forest industry although the province also invests considerable resources in training new entrants and existing workers for forest industry employment. Tomorrow, a skilled and adaptable workforce — with new and different skills from those required in the past — will be a major feature in attracting investment, particularly in emerging industries. If our forest-based industry is to adapt and prosper, we will have to continue and most likely increase public and private investment in training and education.

We believe that the provincial government has to take primary responsibility, through the secondary and post secondary education systems, for ensuring that young British Columbians have the education, skills and training required for future employment in the forest industry. Private employers will continue to play the major role in training their employees for the specific skills required by their particular businesses.

To ensure that we have this skilled workforce, we have to develop some understanding of the areas in which we are going to invest training and education funds for the future. This requires an analysis of the skills necessary for the future forest industry and a review of training activity in other jurisdictions.

B.C. must develop a labour force development strategy. To be effective in a highly-unionized sector like the forest industry, such an initiative will require significant collaboration between government, industry and labour. We recommend a strategy to begin this task.

A New Relationship between Industry and Unions

Historically, workers have not played a significant decision-making role with respect to changes in the forest industry. Fundamental decisions affecting the industry structure (and

security of employment) have been made by government, industry and investors.

Across Canada, there are 23 joint industry sectoral councils where companies and unions jointly promote an industry, train workers, operate labour adjustment programs etc. These sectoral councils exist for the steel industry, mining, aviation maintenance, automotive repair and trucking.

There are three principal unions in the forest sector in British Columbia: the Industrial, Wood and Allied Workers of Canada (IWA — Canada), the Communications, Energy and Paperworkers Union (CEP) and the Pulp, Paper and Woodworkers of Canada (PPWC).

FRBC has reconstituted a Workforce Committee of industry, worker and union representatives from logging, wood products manufacturing (including pulp, paper and allied products) and silviculture. We recommend that FRBC lead a process to develop collaborative relations involving industry, workers and government. The primary purpose of this arrangement will be the creation of a labour force development strategy and new approaches to expanded market opportunities. The form of that eventual relationship could be one or more sectoral councils.

Industry Transition and Mill Closure Review

In the introduction to this section, we described the relationship between timber harvesting rights and jobs in communities. There are three principal elements to this historical social contract: mill appurtenancy, timber processing and section 71 of the Forest Act (see Part 2).

These provisions have had mixed effectiveness. They serve to make companies cautious when they are reviewing their operations but they do not keep mills operating when economic circumstances dictate closure. When a company closes a mill, section 71 of the Forest Act currently allows the Minister of Forests to reduce the company's annual allowable cut directly associated with that mill. The Minister may allocate that volume to others. This power has never been used.

Over the last two years, government has developed and utilized a mill closure review process which requires that a review of the business be undertaken to determine options for keeping it open and the implications of closure for employment and the community. Other actual and potential economic uses of available fibre are examined and mitigation strategies for affected workers may be negotiated. This process has had some success in dealing with a number of mill closures.

We propose that mill appurtenancy and timber processing restrictions be removed from forest licences and that section 71 be amended to include a formal mill closure review process.

RECOMMENDATIONS

RECOMMENDATION 1: The government should establish an annual Community Diversification Fund of $30 million to be administered at the community level. This fund will replace the existing FRBC community funds.

RECOMMENDATION 2: The government should provide for local community-based decision-making as recommended in this report with respect to:

- land use planning
- forest management
- management of community diversification funding.

RECOMMENDATION 3: The government should appoint a task force to review and recommend structures for local community-based decision-making with respect to land use planning, forest management and community diversification considering:

- models for community-based decision making
- the degree of authority required for effective decision-making
- financiai and accountability mechanisms.

RECOMMENDATION 4: The government should provide increased opportunities for new community-based forest tenures, through:

- strategic alliances
- Forest Stewardship Agreements
- 5% takeback on tenure transfers.

RECOMMENDATION 5: The government should work with industry and labour to:

- prepare a labour force development strategy
- examine new approaches to expanding market opportunities
- develop cooperative arrangements with industry and labour including exploration of sectoral councils

RECOMMENDATION 6: The government should amend the current section 71 (Mill Closure) of the Forest Act to require a mill closure review when a mill closes or is proposed for closure. The new provision would require a company to provide notice of a proposed closure to the Minister of Forests, the local community and affected workers. Upon receipt of notice from the company of the proposed closure, the minister would direct a review of the following:

- economic viability of the existing operation

- regional availability of fibre
- new opportunities for workers that maintain the mill or create a new operation that provides employment for the affected workforce
- opportunities proposed by or within the community for other uses of the land or fibre supply
- potential transition requirements and mitigation strategies for workers and communities adversely affected by a closure or proposed closure

After considering the review of these factors, the Minister of Forests would have discretionary authority to allocate fibre from the existing tenure holder or other sources of unallocated wood to provide new economic opportunities in the community.

MAKING IT WORK 4

This report calls for a number of changes in policy direction. Successful change requires a re-definition of the role of government with respect to our forests.

Government will continue as the landowner and must collect a reasonable return from the forest on behalf of taxpayers. As this report recommends, government must provide leadership to ensure that land use plans are completed and that the management and use of the forest provide for long-term sustainability, renewal and protection.

The organization of the provincial government in relation to the use of forest land for economic and non-economic purposes is extremely complex. There are two major ministries (Forests; and Environment, Lands and Parks) plus multiple agencies (e.g., Land Use Coordination Office; B.C. Assets and Lands Corporation; Land Reserve Commission). Other ministries are involved with forest-dependent communities. This is inefficient and creates frustration both among government and the public that relies on government regulation and services.

With the introduction of the new market model and more decentralization of decision making, government must alter the manner and means by which it conducts its business. It must change its role in relation to the forest industry. It must reduce the number and complexity of its statutory and administrative instruments. It must make these changes consistent with the following management principles:

- Protection of the public interest
- Program delivery as close to the user as possible
- Ease of access to government services
- Reduction in overlap and duplication of services among government agencies
- Regulatory simplicity
- Cost-effective administration
- Program and financial accountability consistent with standards established by the Auditor General

RECOMMENDATIONS

RECOMMENDATION 1 The government should undertake a comprehensive redefinition of the statutes, regulations, ministries and agencies responsible for forest activities.

Consideration should be given to consolidating into one organization all those government functions affecti.g resource stewardship (e.g. land use planning, AAC, Forest Practices Code). Similarly, functions affecting the commercial aspects of forestry should be consolidated into a

separate organization (e.g. pricing systems, small business programs, Forest Renewal BC).

RECOMMENDATION 2: The government in support of the new market model should take immediate action to:

- Revise regulations, policies and administrative procedures
- Reduce the size of government by eliminating overlap and duplication of services
- Redesign and restructure Forest Renewal BC as set out in Appendix C.

RECOMMENDATION 3: The government should establish an Implementation Commission to oversee, direct and report on the implementation of the following action plan.

IMPLEMENTATION ACTION PLAN

PART 1 — THE LAND

RECOMMENDATIONS	RESPONSIBILITY	COMPLETION DATES	OUTPUTS
RECOMMENDATION 1: The government should renew it's commitment to the land use planning process by clarifying its land use objectives and planning framework.	Land Use Coordination Office	Sept. 30/2000	Updated Provincial Land Use Objectives and Planning Framework
RECOMMENDATION 2: The government commit to a timetable for completion of land use plans in order to finalize and make certain the areas for parks, conservation, a working forest and other purposes.	Land Use Coordination Office	Sept. 30/2000	Timetables for completion of LRMPs, HLPs
		Dec. 31/2003	Completed LRMPs, HLPs
RECOMMENDATION 3: The government should ensure the implementation of landscape unit planning.	Ministry of Forests, Ministry of Environment, Lands and Parks	Dec. 31/2000	10-Year Implementation Plan
RECOMMENDATION 4: The government should complete the designation of parks and, within the context of implementation of Higher Level Plans, provide statutory protection for a working forest and other values.	Land Use Coordination Office	Dec. 31/2000	Parks designated in land use plans
		Dec. 31/2003	Areas for working forests/other values designated for approved land use plans

RECOMMENDATIONS	RESPONSIBILITY	COMPLETION DATES	OUTPUTS
RECOMMENDATION 5:			
The government should clarify how other commercial and non-commercial interests (not addressed in the Code), can be better accommodated and how the mandates of separate ministries can be harmonized.	Ministry of Forests in consultation with other ministries and stakeholders	Dec. 31/2001 June 30/2001	Clarification on how other interests will be accommodated Restructuring of government
RECOMMENDATION 6:			
The government should test and develop new approaches to ensure effective implementation of the Forest Practices Code.	Ministry of Forests	Dec. 31/2005	Completion of pilot projects
RECOMMENDATION 7:			
The government should establish a review committee to evaluate Forest Practices Code pilot projects and make recommendations to to government.	Ministry of Forests	Dec. 31/2002	Policy recommendations based on results of pilot projects
RECOMMENDATION 8:			
The government, through FRBC, should continue its commitment to enhance the ecological and environmental values of our forest by: • Providing an annual $50 million fund for environmental restoration to be available for tenure and non-tenure holders. • Providing an annual $100 million fund for silviculture activities that increase forest value, taking into consideration the objectives of Higher Level Plans.	Forest Renewal BC Forest Renewal BC	Dec. 31/2000 Dec. 31/2003	New program design An evaluation of activities
RECOMMENDATION 9:			
The government should establish an independent commission to review the assumptions and methodology used in the timber supply review process.	Ministry of Forests	Dec. 31/2001	Report on the timber supply review process

RECOMMENDATIONS	RESPONSIBILITY	COMPLETION DATES	OUTPUTS
PART 1 — THE LAND			
RECOMMENDATION 10:			
The government should facilitate discussions between government, industry and First Nations to develop new opportunities for First Nations and provide more certainty on the land base.	Land Use Coordination Office	Aug. 1/2000	Report on First Nations involvement in land use planning
	Ministry of Forests	Dec. 31/2005	Forest Stewardship Agreements and strategic alliances
	Aboriginal Affairs	Aug. 1/2000	A plan for accelerated treaty-making
PART 2 — THE FOREST INDUSTRY			
RECOMMENDATION 1:			
The government should review and identify measures necessary to establish competitive log markets throughout B.C. in support of higher value for B.C. wood products and increased diversification.	Ministry of Forests in consultation with stakeholders	Dec. 31/2000 Dec. 31/2001	Competitive log markets - Coast - Interior
RECOMMENDATION 2:			
The government should, within six months, establish a competitive log market and design, test and implement a new market-based pricing system (transactional-based system) on the Coast.	Ministry of Forests in consultation with stakeholders	Dec. 31/2000	Transactional-based pricing system
RECOMMENDATION 3:			
The government should, undertake tenure reform to support greater diversification through new cooperative Forest Stewardship Agreements and strategic alliances.	Ministry of Forests in consultation with stakeholders	Dec. 31/2005	Forest Stewardship Agreements and strategic alliances

RECOMMENDATIONS	RESPONSIBILITY	COMPLETION DATES	OUTPUTS
The government should initiate discussions with industry, communities and First Nations to develop a Framework Agreement to guide the formation of Forest Stewardship Agreements and strategic alliances. The Framework Agreement should address the process, principles and scope for negotiations.	Ministry of Forests in consultation with industry, communities and First Nations	Nov. 30/2000	Framework Agreement
• The government, using the Framework Agreement, should initiate negotiations with industry, First Nations and communities to establish Forest Stewardship Agreements and strategic alliances.	Ministry of Forests in consultation with stakeholders	Dec. 31/2005	Forest Stewardship Agreements and strategic alliances
RECOMMENDATION 4			
In order to support the new market model, and specifically to promote tenure diversification, the government should:			
• Remove mill appurtenancy and timber processing restrictions from forest licences and amend Section 71 of the Forest Act to include a Mill Closure Review.	Ministry of Forests	Spring 2001 Legislative Session	Amend legislation and licence agreements
• Eliminate annual cut control requirements.	Ministry of Forests	Dec. 31/2000	New cut control policy
• Establish a clear compensation policy for tenure holders including the principle of recognizing investments made in lands to enhance forest values beyond legal requirements.	Ministry of Forests	Dec. 31/2001	Clear compensation policy
RECOMMENDATION 5			
The government should provide for new and expanded diversification opportunities for woodlot operators and independent manufacturers.	Ministry of Forests	Ongoing	Increased fibre access

PART 2 — THE FOREST INDUSTRY			
RECOMMENDATIONS	**RESPONSIBILITY**	**COMPLETION DATES**	**OUTPUTS**
RECOMMENDATION 6: The government should continue to support diversification in value-added secondary manufacturing.	Ministry of Forests	Ongoing	Revised value added policies
RECOMMENDATION 7: The government should work co-operatively with the industry and the federal government to develop and implement new market access strategies.	Government	Ongoing	Greater market access
RECOMMENDATION 8: The government, through FRBC, should contribute $25 million annually to a Forest Research and Development Fund to be distributed by an independent board. The board will direct research and development activities on enhanced forestry, innovative technology, products, markets and processes.	Forest Renewal BC	Dec. 31/2000	Set up Forest Research and Development Fund
RECOMMENDATION 9: The government should provide for an increased tax credit for research and development.	Government	Dec. 31/2000	Increased tax credit
PART 3 — COMMUNITIES AND WORKERS			
RECOMMENDATION 1: The government should establish an annual Community Diversification Fund of $30 million to be administered at the community level. This Fund will replace the existing FRBC community funds.	Forest Renewal BC, in consultation with the Ministry of Community Development, Cooperatives, and Volunteers	Sept. 30/2000	Fund established including sub-funds with: • Eligibility criteria established • Decision making by communities developed • Financial accountability mechanisms established

PART 3 — COMMUNITIES AND WORKERS

RECOMMENDATIONS	RESPONSIBILITY	COMPLETION DATES	OUTPUTS
RECOMMENDATION 2: The government should provide for local community-based decision-making as recommended in this report.	Responsibilities defined in other recommendations	Ongoing	Implementation of land use plans, Forest Stewardship Agreements and strategic alliances
RECOMMENDATION 3: The government should appoint a task force to review and recommend structures for local community-based decision-making with respect to land use planning, forest management and community diversification.	Ministry of Community Development, Cooperatives and Volunteers in consultation with Forest Renewal BC	Dec. 31/2000	Report of the Task Force
RECOMMENDATION 4: The government should provide increased opportunities for new community-based forest tenures.	Ministry of Forests	Ongoing	New community-based forest tenures
RECOMMENDATION 5: The government should work with industry and labour to:			
• prepare a labour force development strategy	Forest Renewal BC	Dec. 31/2000	Labour force development strategy
• examine new approaches to expanding market opportunities strategies	Forest Renewal BC	Dec. 31/2000	New marketing strategies
• develop cooperative arrangements with industry and labour including exploration of sectoral councils	Forest Renewal BC	Dec. 31/2000	Report on feasibility, mandate and structure of sectoral council(s)
RECOMMENDATION 6: The government should amend the current section 71 (Mill Closure) of the Forest Act to require a mill closure review when a mill closes or is proposed for closure.	Ministry of Forests	Spring 2001 Legislative Session	Legislative amendment introduced

PART 4 — MAKING IT WORK

RECOMMENDATIONS	RESPONSIBILITY	COMPLETION DATES	OUTPUTS
RECOMMENDATION 1:			
The government should undertake a comprehensive redefinition of the statutes, regulations, ministries and agencies responsible for forest activities.	Deputy Minister to the Premier	April 1, 2001	Re-organization of Ministries
RECOMMENDATION 2:			
The government in support of the new market model should take immediate action to:			
• Revise regulations, policies and administrative procedures	Ministry of Forests	Sept. 1/2000	Report on activities
• Reduce the size of government by eliminating overlap and duplication of services	Deputy Minister to the Premier	April 1, 2001	Redesign programs Restructure organization
• Redesign and restructure Forest Renewal BC as set out in Appendix C.	Forest Renewal BC	Dec. 31/2000	Redesign programs Restructure organization
RECOMMENDATION 3:			
The government should establish an Implementation Commission to oversee, direct and report on the implementation of the report.	Deputy Minister to the Premier	April 30/2000	Establishment of Implementation Commission

APPENDIX A

THE PUBLIC CONSULTATION PROCESS

Overview

This report of the public consultation process undertaken for the Forest Policy Review provides a summary of the issues and directions for change provided by participants.

The consultation focused on three broad themes:

- Land Use: How can we make the most effective use of the land base for commercial and non-commercial uses?
- The Forest Industry: How can we create a globally competitive, dynamic and diversified industry in B.C.?
- Communities and Workers: How can we achieve benefits for communities and workers?

Through Community Workshops, Public Forums, a website and 1-800 number, the Advocate consulted with:

- Community representatives such as local levels of government, educational institutions, the tourism sector, and others who have an interest in B.C.'s forest resource.
- Representatives of the environmental community
- First Nations
- Forest industry including the major companies, unions, truck loggers, independent manufacturers and the value-added and silviculture sectors.

Phase 1 — Community Workshops

Eleven community-based workshops were held. Community representatives moderated these workshops. The B.C. Environmental Network, local elected officials, First Nation Tribal Councils, and industry associations provided the list of participants. Community Workshops were held in: Fort St. John, Kamloops, Terrace, Prince George, Vancouver, Chilliwack, Kelowna, Williams Lake, Nanaimo, Creston and Courtenay. Over 850 participants from community, environmental and industry groups, and First Nations attended.

Phase 2 — Public Forums

Six Public Forums provided an opportunity for members of the public to speak directly with the Advocate and provide their input to the Policy Review Process. Forums were held in Merritt, Sechelt, Duncan, Queen Charlotte City, Quesnel and Nelson. Over 500 British Columbians participated in the Policy Forums process.

Phase 3 — Written Submissions, Reports and Meetings

Participants submitted their ideas to the Advocate through 124 written submissions and reports, and direct meetings. This input was considered in the development of draft policy options.

Consultation Tools

We employed the following consultation tools:

- Our Website (http://www.for.gov.BC.ca/pab/review/index.htm). This site contains *The Working Forest: Directions for the Future* and background papers commissioned by the Advocate's office, written submissions, comments made through the site, e-mail documents and related materials.
- A toll-free telephone number: 1-800-663-7867.

Participants were also able to call the Advocate's Office and request the background policy papers and provide their comments.

COMMON DIRECTIONS

Keeping in mind that the consultation process did not seek to develop consensus regarding future policy, the following summarizes input received through community workshops and public forums. It identifies those themes where there was broad agreement on the direction of future forest policy.

Use of the Land

Certainty

Participants agreed that there must be more certainty on the land base and that one way to achieve this is through completion and effective implementation of the land use plans developed over the past 15 years. These plans were developed through community consensus processes and reflect the multiple use values of local communities.

Certainty can also be advanced through settling First Nations land claims. The government should consider some form of interim measures to meet the needs of First Nations for access to fibre and for forest jobs.

Forest Practices Code

Participants emphasized the need to protect B.C.'s natural environment. Often, this was expressed through support of the basic values reflected in the goals of the Forest Practices Code.

Other Uses of the Land Base

New forest policy must recognize the dependence of commercial and non-commercial users on the forest land base. Policies must be developed that recognize and support this dependence.

Globally Competitive Dynamic and Diversified Industry

Competitive

Costs resulting from needless red tape or overly bureaucratic processes must be reduced. Although there was not agreement which ministry should be responsible, there was agreement that we should end needless duplication and conflict resulting from different ministries with different mandates managing the same resource.

Participants agreed that we need to derive more value from our wood. One way of achieving this is through a market-based pricing system.

Implementation of the Forest Practices Code must be addressed. Costs associated with an overly bureaucratic process must be reduced without lowering environmental standards.

Dynamic

We must better utilize the resource by ensuring that the right log goes to the right mill. This may mean changing appurtenancy. Mitigation of local community impacts must be addressed. Log markets and tenure reform would assist in developing a more dynamic industry.

Diversify

Participants recognized that our forest-based economy has played, and will continue to play, a strong and positive role in our communities. Participants offered ideas on how the role of the industry might be strengthened and diversified to assure certainty for the industry, communities and workers and to respond to the need for careful environmental stewardship.

Access to our forest fibre must be more diversified to support community tenures and value-added initiatives. This means re-allocating some of the supply through tenure reform and/or significant increase in log markets.

In summary, many participants supported a strong growth-oriented forest industry, an industry that respects the environment and continues to enhance the value of its products.

Our Communities and Workers

Diversity

Participants told us that future B.C. Forest Policy must be developed so that it is sensitive to and able to address the significant differences that forestry plays in B.C. communities. Policies assuming that one-size-fits-all do not work in B.C.

Local Input to Decisions

Participants support a greater role for local communities in land use decisions.

Revenue Sharing

There was support for a system of revenue sharing between the province and forest-based communities. This could take many forms.

Employment

Participants want increased employment derived through the use of the forests and forest land base. Further, they want jobs that are of a high quality and sustainable. And where jobs might change, they want appropriate adjustment strategies.

Reforming Government Structures

Managing the Resource

Participants were concerned that too many agencies were involved in the management of the forest resource. Agencies involved at this time include Ministries of Forests; Environment, Land and Parks; Energy and Mines; as well as Fisheries and Oceans Canada. Concern was expressed about overlapping management, confusion about which regulations applied when, and extensive red tape. Participants felt that unnecessary costs and regulatory confusion should be reduced.

CHALLENGES

Despite a common sense of direction for managing change, participants identified significant differences in how they thought we might move in this shared direction.

Use of the Land

Although there is agreement on the need to establish more certainty on the land base, there is not agreement on how the land base might best be used. For some the province needs to establish a dedicated industrial forest land similar to the Agricultural Land Reserve. For others, there needs to be a reduction of land used for industrial forestry and an increase in commitments to non-timber uses.

Although all British Columbians are concerned about the natural environment, there are those who believe that this can be achieved without the extensive bureaucracy of the Forest Practices Code. For people of this opinion the Code imposes unnecessary financial burdens on the forest industry.

Others worry that any changes to the Forest Practices Code or changes in the way the Code is implemented will lead to a reduction in our environmental quality. Some of these people

believe that the best way to achieve environmental goals is to move to an eco-based model of forest management.

Although there is broad support for increased access to the land base (e.g. community-based tenures and value-added business), there was not agreement on how that access might be created. For industry this might be achieved through an expanded harvest rate. For others this access might be achieved through a re-allocation of existing tenures.

Globally Competitive Dynamic and Diversified Industry

Some participants believe that the future of the industry and the communities it sustains can only be assured through an increase in the province's Annual Allowable Cut (AAC). For these people an increase can be achieved through creating more access to the land base, through intensive silviculture (growing the cut) or harvesting new growth that may exceed projected growth rates.

For others, increasing the AAC is considered a return to old industrial forestry strategies. For these people the future lies in reducing the AAC and redirecting our attention to better utilization and value-added. Jobs and wealth would be created through more effective use of a reduced land base and the support of value-added industries.

Although there was support for a system of market-based pricing, there was no agreement on how we respond to economic downturns. For some the answer is simply to reduce stumpage rates as the value of the logs declines. For others the solution is to reduce harvest levels in response to economic recessions. There is a concern that simply reducing stumpage would encourage over cutting when the wood was cheaper.

British Columbians have diverse opinions about what the future forest industry might look like. Some feel that the role of the major companies must be maintained and in some cases expanded to assure long-term jobs and communities. Others have a vision of an industry with many more jobs, but jobs less in the harvesting area and more in secondary manufacturing. For people holding this point of view access to wood by small value-added firms is a prime concern.

Communities and Workers

Communities want to have greater participation in decision-making. However, they require the capacity for involvement. There is a challenge for the province in how it might assist communities to increase their ability to participate in forest decisions and management processes.

Although the idea that we should get best value for our wood was shared, there was concern about what this might mean for communities and workers. In achieving this strategy there was recognition that some communities might face the loss of high paying jobs as mills

reduced activity. This would have significant impacts on the community. There was no agreement on a transition strategy that might be used to mitigate community impacts.

Communities also see the need to diversify uses and to support development of value-added business.

Reforming Government Structures

Although there is support for a rationalization of management of the resource there was not agreement on which ministry should be responsible. Some saw a new Ministry of Natural Resources as an option. Others expressed concern that environmental standards would be affected in such an organizational arrangement.

There were concerns about FRBC program delivery and support for more decentralization of programs.

APPENDIX B

ABORIGINAL INTERIM MEASURES AGREEMENT

Rationale

Interim Measures Agreements, which we have recommended, have two general purposes.

- Consistent with Recommendation 16 of the British Columbia Claims Task Force[8], Interim Measures would be a vehicle to balance the conflicting interests on the forest lands in a pre-treaty environment.
- For those First Nations outside the present treaty-making process, Interim Measures would be part of an incentive package to support a new approach to involve all B.C. First Nations in treaty-making.

Objectives

- To provide First Nations with new opportunities in the forest sector in British Columbia.
- To provide for greater co-operation between First Nations, industry and government.
- To provide greater certainty on the land for industry.

Scope

- Economic Opportunities
- Capacity Building
- Land Stewardship and Management Issues
- Tenure Options
- Relationships Between Interim Measures and Treaties

Management Framework

The provincial government, industry and First Nations should enter into discussions on Interim Measures to provide First Nations with options as to how they may receive increased benefits from the forest. In return, First Nations should give assurances that licence holders can carry out their tenure responsibilities unimpeded.

- Government and industry should define the Interim Measures Framework that would identify the major features necessary to support greater co-operation between industry, First Nations and government.

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8 See Part 1 — The Land.

- Government and First Nations should review the Interim Measures Framework to seek consensus.
  - — For those First Nations directly involved in treaty negotiations, the provincial government should table the Interim Measures Framework with the treaty negotiation tables.
  - — For those First Nations not involved in treaty negotiations, the provincial government should table the Interim Measures Framework with elected representatives.

Negotiation Process

Two different approaches are proposed to provide for Interim Measures Agreements: strategic alliances and Forest Stewardship Agreements (See Part 2).

Capacity Building

The province should provide resources to assist in capacity building to fulfill obligations identified in the agreements.

Impact Upon Existing Workforce/Contractors

To implement Interim Measures Agreements effectively, the province should ensure that representatives of potentially affected workers and contractors are present at the negotiating table.

APPENDIX C

THE ROLE AND STRUCTURE OF FOREST RENEWAL BC

Program Redesign

As part of our policy review the Minister of Forests asked that we consider possible changes in Forest Renewal BC's role and mandate. Our conclusion is that, until government initiates major organizational changes recommended in this report, the mandate and strategic plan of Forest Renewal can readily accommodate the related aspects of forest management we propose.

FRBC operates as an investment agency. Investments are guided through a set of objectives with clear output measurements. Forest Renewal monitors and audits the projects to ensure targets are achieved.

In this report, we have called upon FRBC to redesign its programs to accommodate the following initiatives:

- Environmental Restoration Program ($50 million annually)
- Silviculture Program ($100 million annually)
- Forest Research and Development Fund ($25 million annually)
- Forest Community Diversification Fund ($30 million annually)

FRBC presently funds a number of these activities. It should continue to make investments in other business activities (e.g. inventory and value added) according to its strategic plan. In accommodating these proposed initiatives, it is recognized that FRBC will have to make the final investment decisions.

Corporate Structure and Organization

Forest Renewal BC 's board of directors should be restructured to reflect sectoral and geographic representation. No MLAs or public servants should serve on the board. The government should appoint all members.

Financing

With the introduction of a transaction-based stumpage pricing system on the Coast, government will require greater flexibility in setting the annual FRBC budget. The government may need to revise Forest Renewal Act funding mechanisms to achieve this flexibility.

It is important that the government allocates an annual budget to FRBC based on a predictable funding mechanism that provides for program continuity.

ANNEX

ENHANCED SILVICULTURE PROGRAM

We have worked with various parties to develop specific approaches to the Silviculture Program operated through Forest Renewal BC. The following should be elements of a redesigned program:

- The government should create an annual fund for companies committed to improving their enhanced silvicultural activities. The fund should have defined program objectives and clearly identified performance indicators (see FRBC document entitled *The Incremental Silvicultural Strategy for British Columbia*).
- The fund should be allocated to participating licence holders as follows:
  i. A basic amount calculated on the licensee's AAC; and
  ii. An additional amount that takes into account regional resource needs and opportunities and provides incentives for companies to undertake additional enhanced silviculture work if they offer to share costs with FRBC
- These funds are contingent on the following:
  i. Licence holders would develop a multi-year Silviculture Plan consistent with program objectives and would consult with the community on their plan and defined performance indicators.
  ii. The Regional Director, Forest Renewal BC would approve the plan based on its overall consistency with program objectives and acceptable performance indicators.
  iii. The licensee would submit annual financial and performance accountability audits to the Regional Director, Forest Renewal BC for review and approval.
- The licensee would award contracts based on a competitive bidding system that values quality, price and opportunities for new entrants. Direct awards would continue for a limited time to allow contractors to improve infrastructure and management capacity. After a prescribed period all contractors would seek work through the competitive bidding system.
- Coastal contractors, the Industrial Wood and Allied Workers of Canada (IWA), First Nations and the government should review options on how to maintain the benefits of the collective agreement negotiated between New Forest Opportunities Ltd. and the IWA.